

**DEVELOPING EMBEDDED HUMAN RESOURCE**  
**MANAGEMENT PRACTICES**  
**IN SINO-FOREIGN JOINT VENTURES:**  
**THE CHINESE PERSPECTIVE**

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**A Thesis Submitted in Partial Fulfilment of the Requirements of the University of  
Abertay Dundee for the Degree of Doctor of Business Administration (DBA)**

**May 2002**

**I certify that this thesis is the true and accurate version of the thesis approved by  
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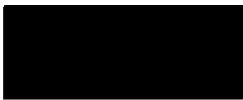
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## **ABBREVIATIONS**

DBA:	Doctor of Business Administration
GM:	General Manager
FDI:	Foreign Direct Investment
FESCO:	Foreign Enterprise Service Corporations
HQs:	Headquarters
HR:	Human Resource
HRM:	Human Resource Management
IHRM:	International Human Resource Management
IJV:	International Joint Venture
JV:	Joint Venture
MNC:	Multinational Corporation
PA:	Performance Appraisal
PRP:	Performance-related Pay
SD:	Standard Deviation
SFJVs:	Sino-Foreign Joint Ventures
SOE:	State-owned Enterprises
WTO:	World Trade Organisation



## **ABSTRACT**

One of the critical debates in IHRM concerns the influence of globalisation and multinational enterprises on convergence in HRM practices. In this context, much of the literature on HRM policies and practices in Sino-foreign joint ventures (SFJVs) has been written either from this convergence/universalistic perspective, which has emphasised the transfer of Western ‘best practice’, or from a comparative perspective, which is still underpinned by convergence assumptions on the idea of ‘progress’ against universalistic Western standards. This literature has pointed out how SFJVs have either transplanted Western-style HRM or else have adapted them to form some kind of ‘hybrid’ HRM mode. Viewed from a relativistic epistemology, however, these models of ‘progress’ may be misleading. Instead, if we look from the perspective of the Chinese managers to see how HRM practices have developed in SFJVs, we are likely to get an alternative account that has less to do with such a ‘progress’ of so-called ‘Westernisation’ and convergence and more to do with developing workable HRM policies and practices which are not only differentiated from those of their Western partners and the traditional Chinese personnel management, but also capable of becoming embedded in the distinctive Chinese business system. It is believed that such embedded HRM practices in SFJVs will lead to positive results.

This thesis attempts to see how HRM operates in SFJVs from the perspective of their Chinese HR managers/professionals. Based on a small sample of interviews with Chinese HR managers (i.e. key informants) from various SFJVs in Beijing and a survey of Chinese HR practitioners in 102 SFJVs in the same region, the thesis examines

policies and practices in a wide range of HRM activities. The author concludes that, in general, SFJVs have been developing embedded HRM practices by moving away from the Chinese traditional ‘iron rice-bowl’ system. The effectiveness of such workable HRM practices is significantly associated with a ‘hybrid’ corporate culture. More specifically and practically, the HR-related managerial patterns and local managers’ HR-related knowledge and skills have been identified, from the Chinese perspective, as two key success factors for SFJVs to enhance the effectiveness of their embedded HRM practices.

This study attempts not only to contribute to the theory regarding how HRM operates in SFJVs and provide evidence to support the institutionalist predictions on the embeddedness of IHRM practices in a SFJV in the national business system of the host country, but also to provide managers with some practical guidance to enhance HRM effectiveness in SFJVs.

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## **CHAPTER 1: INTRODUCTION**

### **1.1 Background To The Empirical Study**

Since 1978 China has pursued an open-door policy in trade relations with the outside world in order to promote its own economic development. Presently, China's economic reform is undergoing an unprecedented transition from a centrally planned economy to a 'socialist market economy': a market economy with Chinese characteristics (Gao, 1994; Zhu, 1995). Under such a new market-oriented system, the emerging huge domestic market has attracted more and more foreign investors. China has been ranked second to the United States as a global destination for foreign direct investment (FDI) since 1993 (Dowling et al. 1999: 262; Richard, 1995). By the end of July 2001, China had absorbed a total FDI of US \$ 372.8 billion with 378,403 projects (*People's Daily*, 16<sup>th</sup> August 2001). As an international market entry strategy for MNCs, sino-foreign joint ventures (SFJVs) have become the major form of foreign investment in China (Ahmed and Li, 1996; Richard, 1995). SFJVs involve two or more legally distinct organisations, where at least one parent is headquartered outside the mainland of China. With the help of a Chinese partner, a foreign firm can quickly obtain access to China's large domestic market. At the same time, the Chinese partner can receive foreign capital and learn updated techniques and management expertise, which are urgently needed in China (Lu and Bjorkman, 1998). Obviously, the international joint ventures (IJVs) can benefit partners, but may also have some inherent disadvantages (Bateman and Snell, 1996). One of the most important of these is the problem IJVs create for international human resource management (IHRM) (Cyr, 1995; Ying, 1996).

International HRM practice is aimed to attract, keep and develop employees with skills and knowledge needed by the organisation now and in the future (Harzing and Ruysseveldt, 1995: 95). However, IHRM in IJVs is an area where some of large differences have existed across countries (Lu and Bjorkman, 1998; Tsang, 1994; Warner, 1993). Thus, to develop successful HRM practices becomes more complex in IJVs, where multiple parent companies from different countries are involved (Cyr, 1995). A high failure rate of IJVs, often in developing countries, has already been found in the previous studies (e.g. Beamish, 1988; Lorange and Roos, 1991). In order to do successful business in China in particular, researchers in the West have paid much attention on how to transfer Western HRM 'best practice' into China. Consequently, much of the existing literature on this topic is written from the perspective of foreign companies: how Western HRM techniques and practices can be applied in the Chinese context (e.g. Goodall and Warner, 1997; Huo and Von Glinow, 1995, Verburg, 1996; Von Glinow and Teagarden, 1998). However, Chinese employees' views and their implication for IHRM in SFJVs have often been ignored. Therefore, little is actually known about the way that IHRM actually operated in SFJVs.

Currently, one of the most heated debates in the literature concerns the impact of globalisation in encouraging convergence between different national business systems, and promoting the homogenisation of ways of operating within the international economy (Ferner, 2001). Though a full exploration of this debate is beyond the scope of this research, one of the prime challenges to this convergence theory comes from an institutionalist approach which highlights nationally distinctive complexes of business systems and pre-existing practices. For example, American companies were already

reported to experience tremendous problems when attempting to introduce their HRM approaches to their SFJVs, due to considerable differences between the two countries in work environments, management philosophies and operational programmes (Lu and Bjorkman, 1998). However, the investors from other countries, such as Britain, Japan, etc., have also experienced the similar difficulties in practising their HRM activities in SFJVs (e.g. Glaister and Wang, 1993; Wang and Satow, 1994). Although Japan is China's neighbour country, it has been often regarded, in a business term, as a 'Western' developed country in China.

Therefore, a critical and difficult task for an IJV and its parent firms is to develop an appropriate IHRM system that will enhance the venture's performance. These issues provide the background for this focused research. The following section turns to defining the key concepts used in the research.

## **1.2 Description of Key Concepts**

Definitions adopted by researchers are often not uniform, so the following key concepts used in this study are clarified in line with the research objectives.

### **1. Sino-Foreign Joint Ventures (SFJVs)**

The term 'Joint Venture' refers to a legally independent organisation which is the product of the partnership of two corporations (the parent firms), each of which participates in the decision-making activities of the jointly-owned company (Geringer 1988). In an international joint venture (IJV), at least one parent firm has its headquarters outside the country where joint venture is located (Cyr, 1995:

12). Therefore, a SFJV can be defined as an international joint venture that has at least one parent headquartered outside the mainland of China. Although in the mainland of China, a JV with a parent company either from Hong Kong, Taiwan or Macao, is also regarded as a 'SFJV', such SFJVs have been deliberately excluded from the sample.

## 2. Human Resource Management (HRM)

Since many books and articles have contributed to the definition and applicability of HRM, presenting a thorough theoretical overview of the many forms HRM takes is beyond the scope of this research. The following definition was chosen to cover its domain in this study: "Human Resource Management is a distinctive approach to employment management which seeks to achieve competitive advantage through the strategic development of a highly committed and capable work force, using an integrated array of cultural, structural and personnel techniques" (Storey, 1995: 5). The strength of this definition is that it highlights the role of culture, the importance of gaining competitive advantage and the notion of combining culture, structure and personnel activities.

## 3. 'Hybrid' Corporate Culture

Corporate culture can be defined as "the informal set of values and norms that controls the way people and groups in an organisation interact with each other..." (George and Jones, 1996: 473). However, a 'hybrid' corporate culture is an ambiguous pattern. It aims to combine features of both national and corporate levels from both Chinese and foreign sides. It is proposed in this study that a 'hybrid'

corporate culture would be helpful for building a nurturing environment to develop embedded IHRM practices in SFJVs.

#### 4. HR-related Managerial Patterns

In this study, the HR-related managerial patterns in particular refer to whether the positions of general managers and HR managers in SFJVs are occupied by either expatriates, Chinese managers transferred from the parent firms, or local managers recruited from the labour market. Thus, it is an important part of organisational structure which is created to allow people and groups to co-operate and work together effectively (George and Jones, 1996).

#### 5. National Business System

Ferner (2001) outlined the following formulation of a national business system which was taken from previous researchers: "...institutions are integrated into a social configuration: the industrial relations system; the system of training of workers and managers; the internal structure of corporate firms... the structure of the state and its policies; and a society's idiosyncratic customs and traditions as well as norms, moral principles, rules, policies and laws, and recipes for action." Accordingly, this study provides an account of the main features of the distinctive Chinese business system that are relevant for an understanding of IHRM in SFJVs, such as Chinese traditional culture, economic reform, emerging labour markets, higher education systems, relevant laws and regulations, Chinese trade unions etc.

#### 6. Traditional Chinese 'Iron Rice-Bowl' System

This refers to the Chinese traditional personnel management practice which was embedded in the previous centrally planned economy. Under such a practice, the unified labour allocation system and fixed wage scale adopted by the government left little discretion for the enterprises in hiring, firing, and wage setting (Zhu, 1995), which means employees were entitled to lifetime employment, guaranteed wages and 'cradle-to-grave' social welfare regardless of productivity. Such system is believed to be one of the main reasons for low productivity (Warner, 1993).

### **1.3 Research Problems**

The broad aim of the study is to contribute to both theory and practice on HRM practices in SFJVs by examining how HRM practices have developed in a Chinese context, and to provide managers with recommendations for developing successful HRM practices in their ventures in China. Although the literature has provided the theoretical foundations for the empirical research, the research on understanding how Chinese HR managers/staff in SFJVs construct HRM development in SFJVs in the Chinese context remains underdeveloped. Thus, some preliminary data were collected to address the research problem by conducting a qualitative study. This broad problem then has been examined precisely in four research proposition/hypotheses.

The research proposition (see Section 4.3 in Chapter 4), as the main research problem, proposes that SFJVs have been attempting to develop embedded HRM practices under the influence of contexts at the national, industrial, organisational and individual levels. More specifically and practically, Hypotheses 1 and 2 (see Section 4.3 in Chapter 4) attempt to identify the relationship between effectiveness of embedded HRM

practices and two key successful factors, i.e. ‘HR-related managerial patterns’ and ‘professional knowledge and skills of local managers’; Hypothesis 3 (see Section 4.3 in Chapter 4) suggests the effectiveness of embedded HRM practices is closely linked with a ‘hybrid’ corporate culture.

The above proposition and three research hypotheses have then been confirmed and/or tested by conducting the questionnaire survey allowing for a statistical analysis on a wider coverage. Meanwhile, the following two research questions were formulated to help address these research problems:

1. What are Chinese HR managers/professionals’ views towards current HRM development in SFJVs and the influence of contextual factors ?
2. How can the effectiveness of HRM practices in SFJVs be enhanced from the Chinese perspective ?

These questions will be addressed in detail in the following Chapters 4 and 5. It was evident from the results of this empirical research that Chinese managers often did not use the same constructs that Western researchers and practitioners intended them to. Chinese managers’ institutionalised views toward IHRM practices might influence and shape HRM practices in SFJVs. More specifically, HR-related managerial patterns in SFJVs and local managers’ HR-related knowledge and skill were regarded by these Chinese practitioners as two key successful factors to enhance HRM effectiveness in practice. A ‘hybrid’ SFJV corporate culture is particularly identified as significantly contributing to embedded HRM practices. Moreover, some suggestions are also made for further research on this topic.

#### **1.4 Justification For The Research**

The above research problems are important on both practical and theoretical grounds, which are outlined in the following paragraphs:

First, managing IJVs is a cross-borders challenge, which has attracted the increased interest of both academics and practitioners. An organisation can gain competitive advantages by managing HRM more effectively than its competitors (Porter in Wit and Meyer, 1994). More specifically, IHRM has often been identified as one of the key factors for success for SFJVs in strategic development and operational activities in China (Ahmed and Li, 1996, Schuler, 1987), and for the overall effectiveness of SFJVs (Wang and Jatow, 1994). Thus, it is important to investigate the way in which HRM practices have actually developed in SFJVs.

Second, one of the critical debates in IHRM concerns the influence of globalisation and multinational enterprises on convergence in HRM practices (Ferner, 2001). In such a context, there is also a strong debate among researchers about whether HRM practices as a whole are applicable in China or not (also see Verburg, 1996). Much of the literature on HRM in SFJVs in China has been written either from the convergence/universalistic perspective, which has emphasised the transfer of Western 'best practice', or from a comparative perspective, which is still underpinned by convergence assumptions on the idea of progress against universalistic western standards. This literature has pointed out how SFJVs have either transplanted Western-style HR approaches (e.g. Ahmed and Li, 1996; Huo and Von Glinow, 1995) or else



have adapted them to form some kind of 'hybrid' mode (Ding et al., 1997; Goodall and Warner, 1997). Viewed from a relativistic epistemology, however, these models of 'progress' may be misleading. Instead, if we look from the perspective of the Chinese managers to see how HR practices have developed, we are likely to get an alternative account that has less to do with the 'progress' of so-called 'Westernisation' and convergence, but more to do with developing workable HRM policies and practices in SFJVs in China.

Third, the research findings also provide some support for the institutionalist predictions on the embeddedness of HR practices in the national business systems of the joint venture partners. For example, Sino-US JVs have been more likely to attempt to transfer their 'Americanness' (see Ferner, 2001) to China. The empirical study further identified that Japanese firms, who had the similar culture background (Zhu and Warner, 2000), also attempted to transfer 'Japaneseness' to their SFJVs. There are no convincing signs that Chinese managers intend to practise these Western HRM techniques without regard to the national and industrial context. When investing in China, the MNC could encounter a great challenge if it attempts to transfer Western HRM 'best practice' to its SFJVs due to the sharp contrasts in terms of concepts and methods in managing people, as well as cultural differences between China and Western countries (Lu and Bjorkman, 1998). On the other hand, there is also evidence of institutional isomorphism as SFJVs are eager to learn the Western 'advanced' HRM policies and practices, but very much at general levels.

Fourth, this study goes beyond a simple competition between universalism and contingency theory (also see Wood, 1999) by linking HRM practices and

effectiveness in supporting SFJVs' business success in the marketplace in China. The results suggest that HRM practices in SFJVs will continue to evolve into a specific SFJV model, which can be described neither as an adaptation, as convergence theorists predict, nor as a 'hybrid HRM model', which the comparative literature suggests. Instead, our relativistic account suggests that SFJVs will develop a unique HR system that is embedded in the Chinese national business system.

Finally, this study highlights the usefulness of potential applications of the research findings with regard to enhancing the effectiveness of HRM practices in SFJVs. The results suggest that managers should be sensitive to surrounding contextual factors, and try to formulate a 'hybrid corporate culture' in order to nurture a mutual learning environment. In particular, foreign managers are urged to invest more effort in the local management development and choose a suitable HR-related managerial pattern within the venture, since these two factors are important to lead to their business success.

The thesis seeks to address the research problem by adopting a mixed methodology combining both qualitative and quantitative methods. The next section introduces how this research had been conducted, bearing the reliability and validity in mind during the whole research process.

## **1.5 Methodology**

Research methodology is 'a general approach to studying research topics' and the method is 'a specific research technique' (Silverman, 1993:1). Traditionally, two methodological stances have been widely presented in the management literature:

positivism and constructivism, each having an opposite perspective on the way the world should be studied (e.g. Hammersley, 1993). Post-positivism assumes that the positivist and constructivist paradigm are compatible (Sayer, 2000). Post-positivism has implications for the research process, since mixed methods are adopted in order to minimise the concern of the accuracy of measurement and the fallibility of any one technique through triangulation (Tashakkori and Teddlie, 1998).

It is also important to further understand the distinction between quantitative and qualitative research in alerting us to the fact that there are competing claims regarding what constitutes warrantable knowledge (Henwood and Pidgeon in Hammersley, 1993). Unlike quantitative methods, the aim of qualitative research is not to uncover the 'fact', but to offer an interpretation of participants' meanings, understandings and experiences (Sarantakos, 1998). In particular, qualitative research allows theory development to be pursued in a highly effective and economical manner (Hammersley and Atkinson, 1983). Thus, the research questions in the qualitative study may not be formulated in detail until the research problems and context are clarified (Maxwell, 1998). The perceived value of qualitative research has consequently been increased (Maxwell, 1998). However, it has been often argued that qualitative research does not provide as great a reliability as does quantitative research (Sarantakos, 1998). One way of approaching this is through attempting to use a variety of methods and multiple data sources in order to provide a richer insights - so called 'triangulation' (Maxwell in Bickman and Rog, 1998). Qualitative researchers often study only a small number of individuals or sites, using theoretical or purposeful rather than probability sampling, and Hammersley (1993) has addressed a concern of generalisability of qualitative studies. Quantitative evidence, however, appears to be both precise and hard because

it deals with numbers, though the value of the number depends both upon the assumptions under which it is produced or calculated and on the way in which it is interpreted (Remenyi, 1998: 127).

A methodology can not be true or false, only more or less useful (Silverman, 1993: 2). It is important for social researchers to understand the use of different research methodologies and the status of the research findings in terms of these methodologies. Issues of verification have been addressed throughout the entire research process (Kvale, 1996). This study follows an inductive/deductive strategic process, which is illustrated in Table 1.1 below. Based on the literature review, the qualitative data were firstly collected by conducting semi-structured interviews with a small number of key informants (Miles and Huberman, 1994) in order to generate the research proposition/hypotheses. The tentative conclusions were then confirmed or tested by conducting the questionnaire survey allowing for a statistical analysis. In this regard, this research essentially falls into the positivism tradition.

**Table 1.1: An Outline of the Research Process**

Inductive Research		Deductive Research	
Stage I June 1998 – Oct. 1999	Stage II Nov. 1999 – June 2000	Stage III July 2000 – April 2001	Stage IV May 2001 -
Literature Review	Generating the Research Proposition/Hypotheses by Conducting Qualitative Study	Confirms/Testing the Proposition/Hypotheses by Conducting Quantitative Study	Writing DBA Dissertation

This section has only provided an introductory overview of the research methodology.

The methodology and methods are described and justified in detail based upon the research objectives in Chapter 3. The following section outlines the structure of the thesis.

## **1.6 Outline Of The Thesis**

The thesis comprises seven chapters as briefly described below.

Following the introductory chapter, Chapter 2 reviews the literature surrounding the IHRM policies and practices in SFJVs in order to provide the research theoretical foundation. This chapter initially highlights the importance of wider understanding of IHRM in the global economy. The chapter then turns to exploring the contextual factors and their implications for IHRM practices in SFJVs, and moves on to the IHRM in SFJVs literature by examining policies and practices in the following HRM activities: recruitment and selection, training and development, reward and recognition, promotion and job rotation, as well as performance appraisal. The chapter not only summarises but also critically evaluates the previous studies on this topic, what has already been done, how it has been researched, and what the key issues are.

Chapter 3 describes and justifies in detail the adopted research methods. The chapter firstly highlights the importance of understanding the debates on epistemology and methodology before describing the mixed methodology, combining both qualitative and quantitative methods. In this chapter, the research methods are not only described step by step but also evaluated in order to enhance the research validity and reliability. Finally, the issues of the empirical research ethics have also been emphasised.

Chapter 4 firstly presents the profile of ten sampled SFJVs, coupled with the ten key informants' background. The chapter then reports the qualitative findings on the research areas in relation to the literature, such as contextual factors and their implications, typical HRM activities, managerial resources and patterns, corporate culture, trade unions, and so on. Based upon these research results, four research proposition/hypotheses were generated to formulate a basis for the further research for my DBA.

Chapter 5 firstly presents the characteristics of these 102 sampled SFJVs. In order to confirm and/or test the research proposition and three research hypotheses, the quantitative data were analysed and interpreted as follows: typical HRM practices and their effectiveness; key contextual factors and their implications; HR-related managerial patterns and correlation with effectiveness of HRM practices; association between qualification of local managers and effectiveness of HRM practices; and correlation of corporate culture and effectiveness of HRM practices. The chapter finally summarises the results of the research proposition confirmation and hypotheses testing.

In order to achieve the research aims and objectives, Chapter 6 discusses and analyses both the qualitative and quantitative results presented in Chapter 4 and Chapter 5, relating both to the literature and the research problems.

Chapter 7 draws the thesis together by highlighting the empirical research conclusions. It then turns to managerial implications to increase the study's practical value. Subsequently the limitations of the research are presented before suggesting areas for extending the research in the future.

## **1.7 Conclusion**

This chapter has attempted to draw a ‘map’ for the thesis. First, it introduced the research background and then presented the key concepts used in the study. Second, after addressing the research problems and principal questions, the research was then generally justified and the methodology was also briefly discussed. Third, the thesis was outlined with a brief introduction to each chapter.

Upon the above foundations, the thesis can proceed with a detailed description of the empirical research. The following chapter reviews the literature in order to build a theoretical basis for the research and to identify research issues which are worth researching.

## **CHAPTER 2: LITERATURE REVIEW**

### **2.1. Introduction**

A widespread belief is that the world has become more competitive, dynamic and uncertain (Sparrow, et al., 1994). If this is the case, to be successful many firms have to compete globally because the costs associated with development and marketing of new products are too great to be amortised only over a single market, even a large one such as USA or EU (Bartlett and Ghoshal, 1991; Beamish, Killing, Lecraw and Morrison, 1994). Although there is no generally agreed definition of globalisation, there has been an ever-increasing number of books and articles discussing how different aspects of globalisation have affected international management theory and practice (see Mok et al. 2002; Parker, 1998; Rugman and Hodgetts, 1995; Sparrow et al., 1994). As a result, international management, the process of applying management concepts and techniques in a multinational environment, is rapidly gaining importance (Hodgetts and Luthans, 1997). More specifically, it is agreed that international human resource management (IHRM) can be a critical determinant of corporate effectiveness, particularly as it plays out in the global arena (Dowling et al., 1999; Florkowski and Schuler, 1994). Thus, there is a significant desire to seek models, frameworks and perhaps solutions in the management of MNCs, particularly with respect to IHRM (i.e. Schuler, Dowling and De Cieri, 1993). Therefore, a general question from the MNCs' perspective is: are MNCs achieving competitive advantage through HRM in the same way, so called 'best practice', that they have done in their home countries ? (see Florkowski and Schuler, 1994).



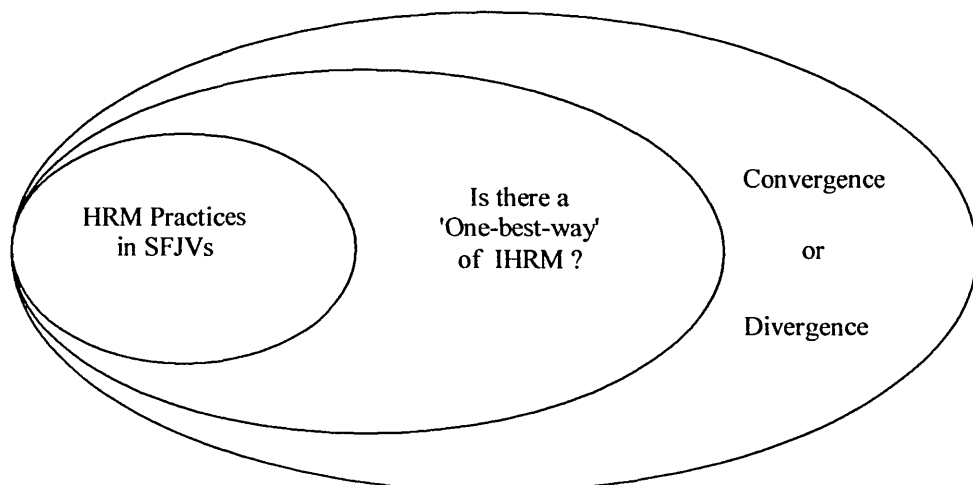
The management of international joint ventures (IJVs) has been extensively studied in business administration, since IJVs become an important vehicle for many firms seeking to operate globally. IJVs offer a unique opportunity of combining the distinctive competence and the complementary resources of the participating firms. Such combinations provide a wide range of benefits which neither participant might be able to attain on its own (Bateman and Snell, 1996). However, the extent to which these benefits are actually realised depends largely on how well the IJV is implemented and managed (Datta, 1988). Management issues in IJVs are extremely complex (Cyr, 1995). In the realm of IHRM in particular, complexity is added when multiple parent firms from different countries are involved (Geringer, 1988; 1991; Lu and Bjorkman, 1997). Therefore, the development of HRM policies and practices in IJVs presents special challenges for both managers and academics (Cascio and Serapio, 1991; Cyr, 1995).

In China in particular, many MNCs are actually making investment in order to tap the country's resources. From a foreign perspective, China remains a major political risk for foreign investors (Goodall and Warner, 1997; Shenkar, 1990). Even so, many MNCs believe that China is and will be a major world market and that they must have a presence there (Hodgetts and Luthans, 1997). Under the transition towards a new market-oriented system, the inflow of FDI to China now ranks second in the world (see Chapter 1), and the SFJVs have become the major form of FDI in China (Ahmed and Li, 1996). A strong consensus among both academics and practitioners is emerging that China's accession to the World Trade Organisation (WTO) will further lead to greater opportunities for more foreign investors.

However, there is a strong debate among researchers and practitioners about whether HRM best practices are applicable in China or not (see Tsang, 1994; Lu and Bjorkman, 1997; Warner, 1993; 1997). As many Western managers have discovered, their assumptions underlying the formation and subsequent management of SFJVs were not the same as those underlying IJVs in developed countries (Beamish, 1993). Developing effective HRM practices in the growing market economy of China has been regarded as a big challenge for Western investors (Verburg, 1996).

In order to achieve the research objectives (see Chapter 1), the literature review concerning HRM practices in SFJVs need to be rooted in the wider theoretical debates (see Figure 2.1). The debate on convergence or divergence has attracted a lot of interest for four or more decades (see Child, 1981; Ferner, 2001; Kerr et al., 1973; Kuhn, 1962; Whitley, 1992; Wood, 1999). A critical question addressed this debate is: is it possible to have a 'one-best-way' of IHRM in the global marketplaces ? (see Dowling, 1999a; Schuler, Dowling and De Cieri, 1993; Sparrow et al., 1994; Warner, 2002)

**Figure 2.1. The Framework for the Literature Review**



This thesis addresses this question in its consideration of SFJVs in China. As Hart (1998: 186-187) suggested, the literature materials can be arranged into three basic blocks: 1) summary of existing work on the topic; 2) critical evaluation of previous work; 3) some general and specific conclusions about work done to date on the topic. Thus, the structure of this chapter is as follows: firstly, the broader debates are reviewed in order to provide the background for this focused study on HRM in SFJVs; the following section turns to identifying and describing the contextual factors and their implications for HRM practices in SFJVs; in the third section, the studies on SFJVs' HRM activities are carefully reviewed; the fourth section then critically evaluates the previous researches on developing HRM practices in SFJVs in Chinese context; and the final section attempts to highlight the importance of doing such research to add to the knowledge base, to address the research objectives, and to clarify the general research process.

## **2.2 The Broader Debates**

### **2.2.1 Introduction**

The literature review should not only concentrate on the area of the research problem, but also show links between the research problem and the wider body of knowledge (Perry, 1996). Thus, this empirical study must be set in the broader theoretical debates on convergence and divergence as well as the associated arguments concerning development of international HRM.

### **2.2.2 Convergence Vs Divergence Debate**

#### **Convergence and Globalisation**

Increased globalisation has given birth to the debate about convergence and divergence in the study of international management (Beamish, Killing, Lecraw and Morrison, 1994). The convergence hypothesis becomes an established paradigm that many researchers find difficult to give up, despite a growing body of evidence supporting the divergence hypothesis (Child, 1981; Kerr et al., 1973; Kuhn's, 1962; Whitley, 1992). The convergence approach maintains that managers around the world embrace attitudes and behaviours common to managers in other countries, despite cultural differences (Belanger and Bjorkman, 1999; McGaughey and De Cieri, 1999). MNCs, in their various forms, are vehicles for cross-border transfers, both directly, as they take their home-grown policies and practices to their overseas subsidiaries and affiliates, and indirectly, as they become a source of inspiration to local organisations (Tayeb, 1999). Managers from MNCs may desire to apply consistent HRM practices across nations in the interest of fairness or in order to promote a single corporate culture (Khilji, 2002). Diverse evidence suggests that MNCs have been effective in diffusing practices across borders over the last decades (e.g. Kirkman and Shapiro, 1997; Shadur et al., 1994; Woods, 1998, etc.). Proponents of the convergence approach argue that traditional contrasts between countries have been over-emphasised. The implication here is that the presumption that cultural effects are dominant should be open to a modified analysis.

Globalisation, in a modified version of the convergence hypothesis, was the byword of the 1990s, and it was to herald the creation of both worldwide markets and transnational enterprises (Warner, 2002). In the literature, organisational participants are increasingly urged to become part of the 'global village', but definitions and visions of globalisation vary widely, making it quite difficult to know what it means to be 'global' (see Sparrow et al., 1994; Tayeb, 1996). Central to the debate about globalisation is how to describe, recognise, investigate and explain the accelerated and worldwide increase in the interconnectivity and interdependence between economies, politics, societies and cultures in different parts of the globe (Mok, 2002). Parker (1998) suggested that globalisation could be described broadly as increased permeability of traditional boundaries of almost every kind, including physical borders such as time and space, nation-states and economies, industries and organisations, and less tangible borders such as cultural norms or assumptions about 'how we do things around here'. In this regard, the globalisation of economies, techniques and communications, and evermore widespread industrialisation may lead to common patterns across nations (Albrecht et al, 1996; Tung and Havlovic, 1996)

### **Divergence and Localisation**

Numerous arguments have been presented supporting the convergence hypothesis, but there is also a lot of evidence in favour of understanding the situation as one characterised by divergence (Belanger and Bjorkman, 1999).

The divergence view highlights that differences among societies result from their parochial sets of values and that individuals maintain diverse, culturally based values, despite growing economic and social similarities between nations (Hofstede, 1993; McGaughey and De Cieri, 1999; Whitley, 1992). Based on similar arguments, many more studies also show the importance of understanding the divergence of the global situation (e.g. Brewster and Hegewisch, 1993; Laurent, 1991; Lu and Bjorkman, 1997, 1998; Martin and Beaumont, 1998, 1999; Warner, 2002).

Furthermore, one of the prime challenges to convergence theory comes from an institutionalist approach which highlights the influence of varieties of national business systems (Ferner, 2001; Hofstede, 1993). The underlying notion of the institutionalist approach is that national business systems are constituted by interlocking institutions that fundamentally shape the nature of markets, competition and business activity in general (Ferner, 2001; Sparrow et al., 1994). Though competition among national business systems at the international level leads to much borrowing and diffusion of practices, it does not necessarily promote convergence, since borrowings are integrated into pre-existing and nationally distinctive complexes of business practices (Ferner, 2001; Kostova, 1999). Factors, such as 'level of economic development' and 'level of education' in the host countries as well as 'differences in culture and language', need to be taken into account (O'Grady and Lane, 1996; Ralston et al., 1997). Indeed, it is a very popular approach, and management literature is filled with empirical evidence to support it (e.g. Brewster and Hegewisch, 1994; Khilji, 2002; Martin and Beaumont, 1998; Whitley, 1992).

More specifically, although MNCs are an important force for cultural convergence, there is a need to recognise divergence and for 'thinking locally' (Martin and Beaumont, 1998; Tayeb, 1992). In this connection, some researchers have made great efforts to develop so-called 'cross-culture approaches' (e.g. Beamer, 1998; Huo and Von Glinow, 1995; Tsang, 1994) in order to bridge the cultural gaps between nations. However, Tayeb (1996) pointed out that it was unwise to isolate the influences of cultural differences on organisations from those of other institutions.

According to the divergence hypothesis, a 'one-best-way' approach to IHRM hardly seems tenable. The implication here is that management scholars and IHRM practitioners need to study IHRM in context. Studying IHRM out-of-context is no longer helpful and can also become misleading, particularly for IJVs (Schuler and Florkowski in Punnett and Shenkar, 1996:351).

### **Beyond Convergence and Divergence**

Indeed, every industry is confronted by two sets of imperatives: pressures to globally integrate and pressures to respond locally (Beamish, Killing, Lecraw and Morrison, 1994). Child (1981) made the point that there was evidence for both convergence and divergence. The majority of the convergence studies, however, focus on macro-level variables (for example, technology used by firms across cultures), and the majority of the divergence studies focus on micro-level variables (for example, the behaviour of people within firms). Furthermore, Beck and Gerhart (1996) suggested distinguishing practices from principles, since principles were generalisable and universal, but

contingencies and firm-specific aspirations entered into the design of practices.

Therefore, it was suggested to move beyond the many simplistic notions of global convergence or national variety, and to understand both the parameters driving globalising trends and the factors sustaining national and local diversity (Belanger and Bjorkman, 1999; Wood, 1999).

Meanwhile, McGaughey and De Cieri (1999) pointed out that the contrasting findings were emerging because of the differing theoretical perspectives adopted. Thus, some researchers have attempted to study forces of both convergence and divergence simultaneously (e.g. Wood, 1998; Khilji, 2002; O'Grady and Lane, 1996). However, it is often not clear which force is stronger and what the results will be when they are studied together (Khilji, 2002: 235), and neglect of one set of contextual factors or the other can often lead to incorrect findings (Ralston et al., 1997).

In summary, the debate on convergence and divergence is not limited to the literature in international management. Recently, this issue has become a topic of debate in the field of IHRM. At the global level, MNCs can seize competitive advantage through the selection and use of human resource policies and practices (Sparrow et al., 1994). The fundamental question that arises is: how can MNCs manage their employees effectively in the global sphere ?

### **2.2.3 HRM as a Set of 'Best Practice' ?**

HRM is the term used to describe the wide range of activities involved in attracting, developing and maintaining the best and most capable people as a talented and



energetic organisational force (Lu and Bjorkman, 1998; Torrington and Hall, 1995). Sparrow et al. (1994) and Shadur et al. (1994) highlighted the importance of gaining competitive advantage worldwide through international HRM. IHRM has been regarded as a foundation for international management success (Harzing and Ruysseveldt, 1995; Schuler and MacMillan, 1984; Sierra, 1996).

It is apparent that American HRM models have been dominant in IHRM literature (see Florkowski and Schuler, 1994; Harzing and Ruysseveldt, 1995; Warner, 1997). Shadur et al. (1994) noted that the adoption of international 'best practice' had been presented widely as a strategy for organisations to improve productivity and competitiveness. Among the most prominent HRM, the best practices refer to performance appraisal, performance-related pay, the use of validated selection procedures, skill formation through training and welfare schemes for employees (Schuler, 1987; Storey, 1995). Ferner (2001), however, argued that despite globalisation, MNCs remained strongly embedded in their parent business system. The question therefore is whether isomorphism is apparent in the IHRM practices of MNCs, or whether MNCs share more in common with their counterparts in other countries.

In the realm of IHRM in IJVs, complexity is added as multiple parent companies from different countries are involved (Cyr, 1995; Geringer, 1991). Indeed, along with globalisation of markets, IJVs, as an attractive strategic option, have been growing in number in the international arena (Datta, 1988; Fatehi, 1996; Geringer and Frayne, 1990; Sierra, 1996). The major reasons for using an IJV cited in the literature include the desire to gain knowledge and skills; host government requirements or pressure as a condition of market entry; increased economies of scale; and to spread risk

(Beamish, 1993; Schuler, 2001). However, despite their increased popularity and strategic importance, IJVs have frequently failed to achieve the strategic objectives of their parent firms. Many of these performance problems experienced by IJVs have been linked to the unique managerial requirements of these ventures (Geringer and Frayne, 1990). For many corporations, IJVs represent a substantial departure from their normal ways of doing business (Cyr, 1995). Thus, the managers from MNCs should understand that the choice of entering into the IJV not only provides extraordinary benefits, but also brings with them a great challenge: i.e. how to manage employees in the ventures ? (see Lu and Bjorkman, 1998).

As Dowling (1999a) summarised, there are various approaches which have been taken to the study of IHRM. The first approach emphasizes a cross-cultural management and examines human behaviour within organisations from an international perspective (e.g. Adler, 1997; Phatak, 1997; Tayeb, 1996); the second approach, developed from the comparative industrial relations and HRM literature, seeks to describe, compare and analyse HRM systems in various countries (i.e. Brewster and Hegewisch, 1994; Khilji, 2002; Warner, 1997); the third approach seeks to focus on aspects of HRM in MNCs (i.e. Dowling et al., 1999a).

The influence of the environmental forces, such as legal requirements, national culture, level of economic advancement, government policies, industrial relations, pressure groups as well as global and regional agreements, can be particularly important in implementing and managing the venture (Cascio and Serapio, 1991; Cyr, 1995; Datta, 1988; O'Grady and Lane, 1996; Tayeb, 1996). Kostova (1999) further categorised the sets of environmental factors into three levels - country, organisation and individual -

reflecting social, organisational and relational embeddedness. In this connection, each IJV is unique in its own way, and correspondingly each requires a HRM system appropriate to its specific circumstances (Geringer and Frayne, 1990). Beck and Gerhart (1996) further pointed out that any idea that there was a 'one-best-way' to develop IHRM was mistaken. Such an argument has been supported by diverse evidence. For examples, Brewster and Hegewisch (1993) found that the role, status and function of personnel or human resource departments were quite distinct across Europe, reflecting different culture, tradition, legislative requirements and labour markets. In particular, they pointed out that some American models of HRM did not fit well with the European experiences. In the same vein, it is too simplistic to have imagined a homogeneous bloc of countries, institutions and practices in the Asia-Pacific region (Warner, 2002).

In developing countries in particular, these cross-cultural IJV organisations are hard to manage effectively since the clashes of culture create hurdles (e.g. Aahad et al., 1998; Beamish, 1988, 1993; Davis, 1997; Lasserre and Probert, 1996; Lu and Bjorkman, 1998). By investigating American businessmen in Thailand, Pornpitakpan (1999) suggested that cultural adaptation was beneficial in inter-cultural interactions. Such adaptation, however, required expatriates to accumulate long work experience in the foreign countries. Tregaskis et al. (2001) found a hybrid form of localisation where MNCs adapt their practices to accommodate national differences between the developed and developing countries, and further identified that country differences in career traditions and labour market skill needs were key drivers in the localisation of associated IHRM practices. More specifically, Khilji's (2002) research findings

suggested that American management was considered to be progressive and results oriented, while Pakistani managers were labelled as slow and bureaucratic.

Meanwhile, Tung and Havlovic (1996) conducted an exploratory study to examine HRM policies and practices in Poland and the Czech Republic in their transition to free market economies. The study has shown that macro-environmental variables have a major bearing on a firm's HRM practices and policies. While both countries have operated under the Communist model (i.e. planned economy) for nearly four decades, each appears to have espoused a framework which is more consistent with their socio-cultural heritage and stage of economic development/transition to a free-market economy. In the same vein, the key historical influences on development of HRM in SFJVs in China may include the nature of the transition from the planned economy to a 'socialist' market economy (Lu and Bjorkman, 1998; Zhu, 1995, etc), and the timing of the economic reform (also see Ferner, 2001). Therefore, it is important for the researchers, who are interested in understanding HRM practices in China, to review the traditional Chinese 'iron rice-bowl' system (see Chapter 1) which was rooted in the previous command economy in China (Ding et al., 1997; Warner, 1993, 1995; Zhao, 1993), and to identify the ongoing legacy (see Ding, et al., 1997) as well as having open attitudes towards the progress of its economic modernisation within the last two decades.

#### **2.2.4 Conclusions**

Understanding of the above broader debates is fundamentally important for my empirical research, and in turn the research findings are expected to make a significant

contribution to institutional theory and international HRM by collecting the evidence from SFJVs in China.

With the above wider body of knowledge, the literature relevant to the immediate discipline (Perry, 1996) is reviewed in the following sections in order to acquire an understanding of the research topic, of what has already been done, how it has been researched, and what the key issues are (Dane, 1990). Perry (1996) descriptively named these wider and immediate disciplines as 'background' and 'focus theories' respectively.

Thus, the following sections turn to reviewing the literature associated with HRM in SFJVs in a Chinese context, while the further writing and discussions related to the above theoretical debates are also addressed in the latter part of this chapter as well as in Section 4.3, Section 6.2 and Section 7.2.

## **2.3 Key Contextual Factors and Their Implications for HRM in SFJVs**

### **2.3.1 Introduction**

There is a relatively young but rapidly expanding literature in the field of HRM in SFJVs. Reviewing the literature on the surrounding contextual factors and their implications for HRM practices in SFJVs would be helpful to explore how HRM developed in SFJVs in context.

This section explores specific information in the literature relating to the contextual influence at the national, industrial, organisational and individual levels (see Kostova, 1999). Though a full coverage of the components of the distinctive Chinese business system is beyond the scope of the study, some key items have been focused upon and discussed as follows.

### **2.3.2 Contextual Factors and Their Implications for HRM Practices in SFJVs at the National Level**

Since the field of international management has long recognised the impact of national cultures (e.g. Ahmed and Li, 1996; Hodgetts and Luthans, 1997; Mead, 1995; Tayeb, 1996; Tsang, 1994), attention is firstly given to the importance of understanding the cross-cultural challenge to develop HRM in SFJVs. Meanwhile, this section also covers major institutions in the literature, such as Chinese economic reform, education system, legal constraints and governments' influences, and emerging labour market, and so on.

#### **Culture Differences and Characteristics of Chinese Culture**

Without water the fish dies, without the home country characteristics the local firm loses the best part of its cultural identity. People bring their cultural baggage with them to their workplace, and organise it to a large extent in the same way as they organise many other factors of their day to day life (Tayeb, 1996). Thus, a major challenge of doing business internationally is to adapt effectively to different cultures (Mead, 1995).

There are many definitions of culture. The Rugh and Hodgetts's (1995: 124)

descriptions of culture seem to be more relevant to the current research: "Culture is the acquired knowledge that people use to interpret experience and to generate social behaviour. Culture is shared by members of a group, organisation, or society...

Through culture we form values and attitudes that shape our individual and group behaviour...Culture is learned through both education and experience." Obviously, culture is a complex, multidimensional subject.

The predominant influence upon Chinese culture is Confucian in origin (Zhao, 1993).

The characteristics of Chinese culture have often been studied in the West (e.g. Ahmed and Li, 1996; Chow, 1998; Sweeney, 1996), using Hofstede's (1984) culture dimensions:

- ***Power Distance*** - Chinese culture is characterised by high power-distance in comparison with Western culture. The centralised nature of power stems from the fact that Chinese culture greatly honours authority and seniority. This is a direct reflection of the Confucian ideal that a person always obeys parents and leaders. Hierarchy plays a very important role.
- ***Individualism versus Collectivism*** - Chinese culture stresses group harmony, trust, sensitivity and social cohesion. Essentially, the culture is collectively oriented, in which individualism is regarded to be expressive of selfish behaviour rather than an extension of personal identity and responsibility. Within their group members are required to co-operate and trust each other in order to maintain group harmony. The impact upon HRM activities, such as performance appraisal, is further addressed in Section 2.3.1.

- ***Uncertainty and Risk Avoidance*** - Broadly speaking there is a tendency for the Chinese to avoid uncertainty and risk because of the high degree of collectivism and homogeneity demanded by Chinese culture.
- ***Masculinity versus Femininity*** - The emphasis on preserving honour and face, and maintaining harmony makes Chinese people very emotional and affiliation oriented. Thus, in China a great deal of reliance is placed upon interpersonal relationships in the conduct of business. There is in Chinese culture a long-standing tendency towards reliance on personal trust.
- ***Long-term versus Short-term Orientation*** - Traditionally, China with long-term orientations, is well known for their high rate of per capita savings. A long-term orientation derives from values that include thrift (saving) and persistence in achieving goals. A short-term orientation, however, derives from values that express a concern for maintaining personal stability or happiness and for living for the present.

Smith (in Joynt and Warner, 1996) believed that the day-to-day behaviours of organisation members in individualist/low power distance cultures differ substantially from those of organisation members in collectivist/high power distance cultures. It is apparent that many of the specific difficulties concerning selection, training, pay and promotion experienced by Western partners in the SFJVs are explicable in terms of the different conception of the individual held by Western managers to those obtaining in China (Child et al., 1990).

Meanwhile, Lasserre and Probert (1996: 76) found that the Chinese national 'human resource climate', which was related to the quality of labour relations and



qualifications on the one hand, and the quality of workforce in relation to working habits, discipline and absenteeism on the other hand, was relatively unfavourable in comparison with those in many other industrialised countries.

Cultural differences have been particularly emphasised in the literature. Tayeb and Pollard (1996) argued that many aspects of Chinese traditional culture might cause some difficulties for SFJVs. Therefore, “Understanding the cultural complexity and heterogeneity of host countries should be a top priority of MNCs” (Fatehi, 1996:157). In other words, there is a need for multinational organisations to attempt to understand the culture of the host country and to localise their competitive strategies on the basis of Chinese national characteristics (Sweeney, 1996). Darlington (in Joynt and Warner, 1996) believed that raising cross-cultural awareness may lead to better communication, shared learning, the generation of more options and potentially better outcomes from the interactions between individuals in a multi-cultural group or organisation. Failure to manage cultural diversity and heterogeneity properly, however, could lead to increased conflict and communication breakdowns (Cox, et al., 1991).

However, the changing nature of Chinese culture during the past two decades has also been featured in the literature. Yang (1996) has provided a wealth of evidence that modernisation leads to increasing individualism in a wide variety of nations.

Furthermore, many Chinese employees have been found to be short-term and money-oriented (Glover and Siu, 2000; Johnson, 1996). Baird et al. (1990) stated that although Chinese managers were still concerned with authority and power, Chinese workers might be more open to individual incentives than one might have expected. Jun (2002) and Gu (2002) also found that Chinese managers were highly enthusiastic

about Western-style culture and HRM practices, as these were regarded as 'open', 'practical' and 'advanced'. Thus, the well-documented system of traditional Chinese values may no longer serve as a useful basis for explaining the current values of the Chinese workforce. Foreign companies employing a Chinese workforce should, therefore, have a more open attitude towards their employees rather than defer to traditional Chinese values which are in many cases no longer valid (Fisher and Yuan, 1998; Verbarg, 1996).

In addition, Tayeb (1996: 191) believed that “cultural diversity could be viewed as an asset which managed well would contribute to the success of a company.” Mead (1995: 14) agreed: “cultural diversity presents major opportunities for synergy. The term ‘synergy’ refers to the output of two or more individuals or groups working in co-operation when this is greater than the combined output of their working separately.” Therefore, MNCs particularly need to understand the potential contributions of cultural diversity to organisational performance (Cox, et al., 1991; Fatehi, 1996:161).

Meanwhile, many Chinese researchers, along with some foreign academics, intended to identify the key characteristics of Chinese culture from the Chinese perspective, without using any Western models. The following six key concepts of Chinese culture have often been identified by them, as having significant influences on HRM practices in SFJVs: i.e. ‘Guanxi’, ‘Harmony’, ‘Face’, ‘Rank’, ‘Flexibility’ and ‘Patience’, which are described as follows:

- Confucianism stresses *‘harmony’* in social relationship, and between people and their environment. Harmony seems central to Chinese values and is a significant

aspect of ordinary life (Huo and Von Glinow, 1995; Zhang and Cowman, 1999).

According to Confucian philosophy, *compromise is often necessary to achieving a goal*. To attain a bigger outcome, 'harmony' is required among all parties and people involved in an SFJV (Lane, et al., 1997: 213, Zhao, 1993). And maintaining such 'harmony' within the ventures needs to keep good 'Guanxi', concern 'face saving', respect the 'social hierarchy' and be 'patient'.

- In China, '**Guanxi**' has been identified as a key building block of Confucian societies (King 1991; Zhao, 1993). The literal meaning of 'Guanxi' is relation; as a term, however, it has no direct English translation. It is fundamental in directing social, organisational and personal behaviour. It governs a wide range of Chinese attitudes and behaviours which are manifested in the building of long-term social and business relationships (Ahmed and Li, 1996; Jun, 2002). Thus Gamble (2000: 891) believed that it might be a good idea to recruit local managers with such many contacts. However, Tsang (1998: 68) warned that too much reliance on any single local person could lead to a problem: they might leave the firm and their 'Guanxi' might become worthless or even turned into a liability. Bjorkman and Lu (1997: 162) also found that in some SFJVs, local managers might be under pressure to recruit friends and relatives, but such pressures could be neutralised if foreign managers took responsibility for the selection process. Ahmed and Li (1996) therefore suggested that in handling the matter of 'Guanxi', it should be appreciated that 'Guanxi' relates predominantly to personal relations, and serves to highlight the fact that Chinese exchanges are not solely commercial but also social.

- **'Face'** is another key building block of Confucian societies (Gao, 1994). In China, there is a popular saying that *'Face' is like the bark to a tree; without it, the tree dies. Similarly, a person cannot function without face.* By making a Chinese partner lose face, there is nothing to gain and everything to lose (Tung in Joynt and Warner, 1996). This accounts for Chinese partners' reluctance to say 'no' to requests and their indirectness in communication (Chen, 1996). In light of the importance of face and face-saving in China, the Western manager who is accustomed to dealing with his subordinates in a straight forward way, open and blunt, must be aware of the Chinese employees' concern for 'face' if he is to be effective (Gao, 1994; Holton, 1990).
- Confucian also emphasises on **'Rank'**, referring to respect for the system of social hierarchy (Gu, 2002; Jun, 2002). The Chinese sense of such a hierarchy is consistent with the finding, using the Hofstede's model, to suggest that Chinese culture has been characterised by high power-distance. This has a significant impact upon HRM practices in SFJVs, such as pay and promotion, and the further descriptions are presented in Section 2.3.1.
- The importance of **'Flexibility'** is often emphasised to accommodate changing conditions and fortunes (Jun, 2002; Si and Bruton, 1999). In a Chinese saying, *trees will die if removed; but people will survive if they keep moving.* This emphasis on flexibility accounts, in part, for the Chinese perspective of written legal contracts as organic documents that could be altered as circumstances change (Tung in Joynt and Warner, 1996).

- *'Patience'* is also an important factor (Jun, 2002; Zhang and Cowman, 1999).

Chinese people normally focus on the long-term implications of actions and the importance attached to the development and nurturing of human relationships (Tung in Joynt and Warner, 1996). Western executives often complain that the Chinese take too much time, whilst the Chinese on their part feel that their counterparts are in too much of a hurry to reach an agreement. Apparently, 'patience' is required for the partners who are willing working together (Zhang and Cowman, 1999).

In summary, the theory and practice of IHRM in IJVs has been heavily influenced by cultural and managerial traditions of the host country (Wang and Satow, 1994). Thus, managing SFJVs is a cross-cultural challenge for both MNCs and their Chinese partners. Previous literature has paid much attention to understanding how cultural differences have an impact on HRM practices in SFJVs. To successfully manage the global environment, MNCs and their managers have to learn how to deal with the different values, norms, and attitudes that characterise different national cultures (George and Jones 1996, Fatehi 1996), and also try to understand the rapidly changing nature of Chinese environment. On the other hand, a single cross-cultural approach (e.g. Huo and Von Glinow, 1995; Satow and Wang, 1994) to deal with difficulties of developing HRM in SFJVs may not work well along because the Chinese business system has many other distinctive characteristics.

## **Continuing Economic Reform**

After the founding of the People's Republic of China in 1949, China embraced the concept of planned economy, following the Soviet model (Warner, 1993). Consistent with Marxist ideology, there was no ground for the existence of competition among the firms (Ding et al., 1997). All firms themselves were state- or collective-owned organisations which were operated for 'surplus' instead of 'profits'. The central government strictly controlled all aspects of the economy, including human resources. This centrally planned economy had implications for personnel management practices. For example, the employment system, well known as the 'iron rice-bowl' (in Chinese, 'iron' here means 'fixed'), was formulated and strengthened. The 'iron rice bowl' is a reference to the system of employment, with centrally planned job allocation, life-time employment and egalitarian pay (Warner, 1993; Zhu, 1995).

Since 1978, China has pursued an 'open-door' policy in trade relations with the outside world in order to promote economic development. Presently, China's economic system is undergoing an unprecedented transition from a centrally planned economy to a 'socialist market economy': a market economy with Chinese characteristics (Gao, 1994; Zhu, 1995). National economic growth has been impressive, with an average rate of over 9 per cent per annum over the last two decades (Goodall and Warner, 1997). Under this new market-orientated system, breakthroughs have been made in reforms carried out in the various fields of finance, taxation, banking, foreign trade, foreign exchange management, planning, investment and pricing, as well as personnel management. Reforms in the public sector also continue to be pushed forward and the 15th Communist Party Congress in 1997 has accelerated that process with the first

official acknowledgement that some state-owned enterprises (SOEs) are to be allowed to go bankrupt. In 1994 for the first time, SOEs fell behind collective owned enterprises and individual owned enterprises in their share of gross industrial output. The general idea is to transform these SOEs so that they operate and develop or else die under market competition (Chen, 1998). The emergence and development of domestic market in China increased competition on the one hand, and caused difficulties for many SOEs on the other hand. This problem has become more serious in recent years (Chen, 1998). Furthermore, due to the Asia financial crisis beginning in 1997, China's economic development encountered new uncertainty. The Chinese central government understands that effectively coping with the crisis has become one of the key elements in the success of China's economic development strategies. This situation has made the Chinese government very concerned about the high unemployment (*People's Daily*, 10<sup>th</sup> June 1999).

As stated in Section 1.1 in Chapter 1, the inflow of foreign direct investment (FDI) to China has ranked second only to that going to the US since 1993 (Richard, 1995). By the end of August 1997, there were more than 240,000 foreign-invested firms in the country, involving more than US\$ 174 billion investment capital (*China Statistic Yearbook 1998*). Over 60 per cent of these foreign-invested firms are joint ventures (Lu and Bjorkman, 1998). Due to the financial tumult in Asia, China's use of FDI stalled in 1998, declined by 11.37 per cent in 1999 and dramatically rose in 2000 and 2001 (*China Daily*, 19<sup>th</sup> April 2001). It was recently reported that China has utilised 372.8 billion US dollars of FDI. The total number of foreign-funded enterprises has reached 378,403 by the end of July 2001 (*People's Daily*, 16<sup>th</sup> August 2001). SFJVs have been the major form of foreign investment in China (Ahmed and Li, 1996). It was also

reported that in the first half of 1998, SOEs were increasing 3.6% of industrial output; and SFJVs were increasing 11.3% in comparison with the same period of the last year (*Chinese Science News - Overseas Edition*, 25th August, 1998). All above indicate SFJVs have played a more and more important role in China's fast-growing economy. Foreign-funded enterprises not only provided China with development capital, new technologies and management knowledge, but also are a major source of the rapid growth for China's exports, which created new employment opportunities. These growing job opportunities may partly alleviate the unemployment burden caused by SOEs reform. Thus the growth of SFJVs becomes an important factor affecting the success of SOEs reform (Chen, 1998).

As more foreign capital and firms pour into China, however, the country also starts to face problems in dealing with MNCs. Many Chinese SOEs believed that incentive policies favouring foreign companies have unfairly put domestic firms at a competitive disadvantage. Therefore, China needs to continue attracting foreign investment while minimising foreign companies' threat to its domestic industries and companies (Chen, 1998). It is supposed that such a problem may be delineated along with China joining WTO process, because both domestic companies and MNCs would be treated equally to compete themselves in the Chinese marketplace. There is a strong consensus that accession to the WTO will mark China's full integration into the world economy, offering unprecedented opportunities of further development.



## Higher Education

The Chinese national infrastructure for education and training forms a significant part of the national business system. Thus, it is necessary to briefly review its historic background to the education and training policy. The development of present higher education system can be dated to the 1950s when a Soviet model of higher education was developed - aimed specially at training higher level personnel employment. This was a deliberate move away from the dominance of the arts and letters tradition fostered by the customs of the civil service system. Between 1950 and 1954 four main types of institutions were established. They were polytechnic universities which were largely science and engineering orientated; comprehensive universities with an emphasis on arts and basic sciences; normal universities which concentrated on education; and the specific institutions - agriculture, medicine, steel etc. managed by the appropriate line ministries rather than the education ministry (British Council – Beijing, 1998; Warner, 1995).

The Cultural Revolution interrupted development for 10 years during 1966 –1976. Since the mid-1980s, however, there have been a number of significant changes in the funding and mode of operation of the Chinese universities. At present, there are around 1,800 universities, colleges and adult education institutions in China. The Ministry of Education further plans to cut the number of higher learning institutions by ten percent through mergers by the year 2003 in order to cater to the diversified needs and demands of the market for graduates with multi-skills (*China Daily*, 29<sup>th</sup>, May 1999). In China, there was a very strong emphasis given to engineering and the sciences at the university level (Sweeney, 1996). Now business-related courses are becoming more preferable,

such as MBA, finance, business and so on. For example, in 1999, there are 57 Chinese universities providing MBA programmes, containing 9,000 students (Chinese Science News - Overseas Edition, 25th May 1999). However, it seemed still far from enough. In 1990, 700 business schools in USA conferred some 75,000 MBA degrees. In the same year, 10,000 graduates emerged from 120 business schools in Western Europe. The number of MBAs is set to double by the year 2000 (Sparrow and Hiltrop, 1994). In such a context, the Chinese government would like to encourage foreign firms to place a high priority on training their local staff (Johnson, 1996).

In the previous planned economic system, all graduates were guaranteed to offer a job, but they had no right to choose it according to their interest. All graduates were passively assigned by their universities according to the governments' plan. Such system of unified job assignments of graduates has recently changed. With the introduction of the 'two-way' selection system, employment decisions are reached through consultation between employers/hiring units, students and universities (British Council, 1998-2).

### **Emerging Labour Markets**

Before 1983, Chinese employees had no personal freedom to select their own career. The government labour bureau would assign jobs without considering personal preferences (Li, 1995). At that time, labour could not be a 'commodity' and therefore not bought or sold. Labour was allocated and wages were determined by Chinese governments (Warner, 1995: 224). Centralised allocation effectively deprived enterprises of their autonomy to select employees, denied the individual right to

choose his or her employment, and ignored changes in labour supply and demand.

However, the centralised allocation system did achieve a high employment rate in urban areas (Dowling, et al. 1999). Since the 'iron rice-bowl' system emerged from and was embedded in a highly centralised planned economy, it is inconsistent with the goals of developing a market economy (Zhu, 1995). With the economic reform, the Chinese central government has started to encourage labour mobilisation. Particularly since 1992, the Chinese government has begun to transform China's economic system from a command economy to a 'socialist market economy' (Zhu, 1995). Under this new market-orientated system, the labour market (so called 'labour-force market') emerged, as a part of establishing a socialist market (Gao, 1994). In July 1994, a new Labour Law had legitimised this practice (Warner, 1995). Essentially, this labour law attempted to clear up all the confusion caused by the multiplicity of previous laws, as well as close many loopholes and help move China towards a society in which employment relationships are governed by market forces (Ding et al. 1997:597).

Labour contracts based on Western-style personnel practice soon followed and are now also sanctioned by the above new law (Warner, 1995). According to the Labour Law, employees of all enterprises in China are required to enter into individual labour contracts, which should cover terms of employment, job description, labour protection and conditions, remuneration, discipline, termination and liability for breach (Ding et al., 1997).

At the same time, the reform of the employment system has been accelerated with the 'three systems reforms' attempting to change *personnel*, *rewards* and *social insurance* arrangements (Zhu and Warner, 2000). Marked progress has also been made in reforms that cover residential housing and social security system. Many provinces and

municipalities have established pension and medical insurance systems that combine social fund pooling with personal accounts (*People's Daily*, 20<sup>th</sup> Dec. 2000). The reformation of the enterprise personnel management system aimed at contributing to the improvement of managerial competence and the advancement of production. The continuous reform of state-owned enterprises stimulates to emergence of competitive labour market (Chow, 1998).

Although SFJVs have the legal right to full authority over the hiring and dismissal of their employees (Baker and McKenzie, 1995), in practice, the exercise of such autonomy is subject to government interference at various levels (Beamish, 1993; Johnson, 1996). The Chinese local governments always urged foreign-invested companies to locate their employees through government-approved human resource agents (Ding, et al., 1997). After China opened its door to foreign investment in 1980, state-backed foreign enterprise service corporations (FESCO) set up in almost every Chinese city. The way it worked was: every Chinese job seeker must first be employed by a FESCO before he or she was 'assigned' to work for a foreign employer. The employer, in turn, handed the employee's pay to the FESCO. FESCO kept a proportion before transferring the remainder; and since the beginning of 1990s, many government-backed job agencies fixed themselves up with official approvals to become competitors to FESCOs. Now, the greatest threat to FESCOs comes from imported head-hunter companies. These business organisations work more professionally and efficiently to increase their market share (Zhang, 2000). Nevertheless, because of the significant current role of the government in managing SFJVs, the ability to influence relevant government officials to act in the SFJV's interests is an important success factor in China (Osland, 1994).

The huge population of China may lead one to think that the labour supply is abundant and the employer is spoilt for choice. Tsang (1994) argued, however, this belief was only true in the case of recruiting non-skilled and semi-skilled workers; but experienced technicians, professionals and managers were rare 'commodities'. Shortages are particularly acute in the areas of financial management and HRM (Bjorkman and Lu, 1997:161). As China's rapidly expanding economy fuels industrial growth, demand for trained employees would outstrip supply (Tsang, 1994). For example, one recent estimate indicated that there are ten management positions for every qualified Chinese applicant in Beijing and Shanghai (Gamble, 2000). The difficulty of finding qualified managerial and technical personnel has become one of the major impediments to operating in China (Epner, 1991; Tu and Jones, 1991).

In China, finding the right people is not easy, but succeeding in having them transferred from their old employers is even more difficult (Tsang, 1994). The Chinese government still plays a great deal of attention to human resource issues, and is unlikely soon to drop, say, 'Hu Kou' (the permanent residence permit) requirements or the necessity to maintain the 'Dang An' (the personal file), both practices with a line of descent from the 'iron rice-bowl' (Goodall and Warner, 1997). If the old state-owned employers do not support the transfer, they may refuse to release the individual's 'Dang An', which contains the employee's detailed personal information. Failure to obtain the file obviously deters the recruit from taking up the new job. Transferring a recruit from another city or locality is even more complicated, involving over 20 approvals from the labour bureau, the public security unit, the recruit's work unit, the employer of the recruit's spouse, and other civil authorities controlling residence registration, housing

(Tsang, 1995: 6). 'Hu Kou' and 'Dang An' are the government mechanism for controlling labour movement. Under the system of keeping a person's 'Dang An' and 'Hu Kou', the government is able to keep track of the person's movements within the country (Goodall and Warner, 1998). This is obviously a considerable departure from the Western idea of a free labour market. According to the report in the Chinese official newspaper, *People's Daily Overseas Edition* (20 Dec. 2000), the Chinese government has attempted to gradually reform the current labour control system in order to develop an 'open', 'competitive' and 'manageable' national labour market.

By Western standards, the labour market in China might be still underdeveloped and restricted (Warner, 1996). However, the main advantage of SFJVs over state-owned enterprises lies in their status as green-field sites: i. e. they have new technology, they can recruit better qualified personnel (Verman and Yan, 1995). In Beijing, there are now around 450,000 employees working for about 12,500 foreign-invested companies and rep offices (Zhang, 2000). An SFJV could become a stock of capable human resources that would support the MNC's expansion in China's domestic market (Lu and Bjorkman, 1998). On the other hand, the labour market likes a 'double-edged' sword which may also cause a high employment turnover (see Cappelli, 1998).

### **Laws and Regulations on SFJVs**

In addition to the Labour Law described in the above section, there are specific regulations on labour management in SFJVs. According to these regulations, the ventures can recruit employees through the local employment agency recognised by the local labour department; there shall be a written labour contract between the

individual employee and the employer; the trade union (or worker's representatives in the absence of a trade union) is permitted, on behalf of the workers, to conclude a collective agreement on wages, working hours, work safety, hygiene, insurance and fringe benefits; the labour contract contracts must be submitted to the local labour administrative department for confirmation within one month of the date of signing, and the collective agreement shall be delivered to the local administrative department for registration; and enterprise can dissolve the contract if the worker does not meet the requirements for employment in the probationary period, or does not comply with the contract, seriously violates labour discipline, rules and regulations formulated by the firm according to the laws (*see Regulations on Labour Management in Foreign Funded Enterprises* for detailed contents).

Baker and McKenzie (1995) provided an introduction and English translation of Sino-foreign Joint Ventures Laws, and implementing Regulations for the Laws. These were helpful for foreign investors to understand SFJVs' legal status, establishment, operation, foreign exchange, management, labour, financial administration as well as taxation before forming a SFJV. According to the laws and regulations, the board of directors is the highest authority in a SFJV. The appointment of members of the board of directors is generally done in proportion to each party's equity contribution to the joint venture. The general manager is responsible for carrying out the decisions of the board and for the day-to-day management of the joint venture. Although, in theory, SFJVs have the right to full authority over the hiring and dismissal of their employees, in practice, the exercise of such autonomy is subject to government interference at various levels. Under the Joint Venture Regulations, SFJVs are particularly urged to

strengthen professional and technical training of staff and workers to meet the requirements of a modern enterprise for production and managerial skills.

Regulations and legislation covering workplace practices are the basis for government involvement. In formal and direct cases, MNCs are obligated to comply with specific laws and to follow certain procedures. Indirect and informal cases involve demands and pressure by the Chinese government where there is no legal basis for them (Fatehi, 1996: 354). In general, the regulatory environment in China remained quite restrictive and the perception held by many foreign investors was quite negative (Glaister and Wang, 1993). In March 2001, the SFJV Law had been revised in order to be in line with requirements for entry of WTO. The new version of the law in particular highlights to set up the trade union in each venture and to develop the contract-based employment system (*People's Daily*, overseas edition, 21 March 2001).

### **Trade Unions in China**

In the West, national labour unions are independent of the national governments. These labour organisations are concerned with improving the wages and working conditions for their members (Fatehi, 1996:355). In China, national trade unions have the same name with the Western one. In theory, the Chinese employees of a SFJV have the legal right to establish a basic-level trade union in accordance with the Labour Union Law of China, to represent the employees in signing labour contracts with the company and supervise the implementation of the contracts. In practice, the trade unions at all levels, however, are strictly controlled by the Communist Party. Chinese trade unions are not separate entities independent from the firms. As 'enterprise unions' under control of



the Party at the firm level and above, they could be regarded as extensions of the organisations (Benson and Zhu, 2000). Therefore, we must treat the Goodall and Warner's (1997) finding of a 'pure imported' trade union in a SFJV with some caution.

In summary, the above key elements underlie the analysis of the Chinese national environments. Such literature provides the basis for subsequent debates about the nature of the relationship between HRM in SFJVs and business system in which they are embedded. The following section further reviews the influence of contextual factors at the industrial, organisational and individual levels.

### **2.3.3 Contextual Factors and Their Implications for HRM Practices at the Industrial, Organisational and Individual Levels**

There are also a number of contextual factors at the industrial, organisational and individual levels that have received primary attention in the literature. Some of these factors seem more relevant to this research. They are:

- ❑ Partner Goals, Partner Selection and Their Implications
- ❑ Ownership of SFJVs and Their Implications
- ❑ MNCs' Strategic Orientations Shaping SFJVs' HRM Policies and Practices
- ❑ Organisational Structures, Corporate Culture and Their Implications
- ❑ Trade Unions within SFJVs

Indeed, there are many other influential factors, such as the type of industry (manufacturing / service industries), technologies, production process and so on (e.g.

Cyr, 1995; Ding et al., 1997; Goodall and Warner, 1997). The detailed studies of these are beyond the scope of this focused research.

### **Partner Goals, Partner Selection and Their Implications**

Motives for IJV formation and partner selection have a direct impact upon HRM practices in an IJV (Datta, 1988; Parkhe, 1993). Though finding and courting a partner for an IJV can be an expensive process, much higher costs may occur if the venture fails in a relatively short period of time (Geringer, 1988). This is to say that these effort expended at the beginning in selecting the right partner may repay itself many times over in avoided costs of misunderstandings, delays and corporate divorce. Sierra's (1996) three Cs Model could be used as the crucial criteria when selecting a partner - Compatibility, Capability and Commitment. Compatibility is one of the most important ingredients for a successful JV (also see Lorange and Roos, 1991). The capabilities of the potential candidates are obviously of prime importance. What most companies look for in a partner is the ability to contribute complementary strengths and resources to the JV. A partner with an equal sense of commitment to the alliance is the third keystone to success. In addition, flexibility is also a virtue (Geringer, 1988). Furthermore, Yan and Gray (1994) envisioned IJVs as mixed-motive games between partners who co-operate and compete simultaneously. Newman (1992) suggested devising a 'win-win' basis for co-operation. If the return to either parent will be marginal, the SFJV should be restructured or abandoned.

When entering China, many MNCs tended to choose large, state-owned Chinese firms as co-operative partners (Chen, 1998). Although these large Chinese firms can help MNCs do business in China, they are likely to receive strong government support and to have their own agenda to become strong competitors (Sirerra, 1996). These factors may cause some co-operative problems, including disputes about management control over the co-operative entity. More specifically, Shenkar (1990) pointed out that when skilled staff were available, the Chinese parent was often reluctant to transfer them to the SFJV, and would prefer instead to transfer superfluous and less qualified personnel. Therefore, MNCs need to anticipate these problems and consider these uncertainties when forming and managing co-operative ventures in China. The awkward problem then is that, if most of the workers came from the Chinese partner, the joint venture might inherit the power and social structure of the old organisation. The inherited structure might become an opposing force in the new environment that the foreign partner tries to create in the joint venture (Shenkar, 1990; Tsang, 1994).

The most important question in the front of the MNCs may be the extent to which the objectives of the parents coincide or conflict. Thus, Sweeney (1996: 334) has attempted to outline the perceived objective conflicts in SFJV partnerships, which are presented in the following table.

**Table 2.1: Objectives Conflicts in SFJVs**

Objective	Chinese Partner	Foreign Partner
Financial outcomes	<ul style="list-style-type: none"> <li>• Increase foreign exchange reserves</li> <li>• Invest for the future developments</li> </ul>	<ul style="list-style-type: none"> <li>• Long-term repatriation of profits</li> <li>• Long-term maximisation</li> </ul>

Strategy	<ul style="list-style-type: none"> <li>• Short term / medium term</li> <li>• Domestic / international</li> </ul>	<ul style="list-style-type: none"> <li>• Short term / long term</li> <li>• Domestic / international</li> </ul>
Personnel	<ul style="list-style-type: none"> <li>• Maximum number of local employees</li> </ul>	<ul style="list-style-type: none"> <li>• Fewest people possible for acceptable output</li> <li>• Maximum productivity</li> </ul>
Management	<ul style="list-style-type: none"> <li>• Traditional</li> </ul>	<ul style="list-style-type: none"> <li>• Modern</li> </ul>

Although the government influence has been regarded as a context at the national level (see Section 2.2.2), the goals of the Chinese governments, which have been identified in the literature (e.g. Child and Steward, 1997; Datta, 1988; Fatehi, 1996: 45; Yan and Gray, 1994), are closely relating to the above partners objectives. Thus, these goals are outlined here as follows:

- Economic modernisation
- Employment
- Import substitution
- Conservation of foreign exchange
- Minimise foreign control
- Reengineering state-owned companies
- Stimulation of investment in backward regions and rural areas

More specifically, Glaister and Wang's (1993) survey provided evidence on aspects of motivation for forming SFJVs of the UK partners and issues associated with selecting Chinese partners. Their findings suggested that the main motivating factor for SFJV formation by UK firms was faster entry to the market, while the choice of partners

available to UK firms appeared to be limited because of the Chinese government influence.

Obviously, the objectives of the different parties are not necessarily congruent. It is therefore particularly important that before an IJV is actually formed the potential partners recognise the differences in their objectives and take necessary steps in reconciling them (Datta, 1988). Thus, the effective management of relationships, both within and outside a venture, appears to be a critical factor to SFJV success. Personal skills and the ability of managers to facilitate such good relationships are therefore considered important (Cyr, 1995).

### **Ownership of SFJVs and Their Implications**

IJVs are normally operating under one of following three different management styles: dominant parent JVs, shared management ventures and independent ventures (Killing, 1983). Dominant JVs are staffed entirely by one partner and managed by their dominant parent virtually as if they were wholly-owned subsidiaries. The board of directors, although containing executives from each parent, plays a largely ceremonial role. Alternatively, a shared management venture is one in which both parents play a meaningful managerial role. The board or executive committee is likely to have real influence, both parents have an active role in the decision-making required for the joint venture. In independent joint ventures the general manager has autonomy for making decision that affect the joint venture, without need for recourse to a JV board.

Furthermore, Lu and Bjorkman's (1997) findings suggested that foreign ownership would play an active role in determining the HRM practices when parent organisations tend to disagree. In the shared management ventures in particular, in human resources as well as in other areas, contributions and inputs to the joint venture are generally made by both parents. Thus, the successful HRM in an IJV could be accomplished through the following efforts (Cyr, 1995):

- Staffing key positions in the IJV from both parents;
- Encouraging employee transfers between the IJV and both parents;
- Extensive communication linkages in the IJV and between the IJV and both parents;
- Rewards for innovation and technological achievement.

Interestingly, Warner (1995) found that whatever the ownership, foreign parents preferred to be a 'coach', and Chinese partners seemed to be learners in terms of SFJV management. This specific 'phenomena' which can be explained from the cultural perspectives might be good for the parents successful co-operation.

### **MNCs' Strategic Orientations Shaping SFJVs' HRM Policies and Practices**

The literature has identified four typical strategic orientations of MNCs in their global expansion, which have implications for organisational strategy, structure, culture and HRM practices (Rugman and Hodgetts, 1995: 215). These are presented in the following table:

**Table 2.2: The Strategic Orientation of MNCs and Implications.**

<b>MNC Orientation</b>	<b>Ethnocentric</b>	<b>Polycentric</b>	<b>Regiocentric</b>	<b>Geocentric</b>
Strategy	Global integration	National responsiveness	Regional integration and national responsiveness	Global integration and national responsiveness
Structure	Hierarchical product divisions	Hierarchical area divisions with autonomous national units	Product and regional organisation tied together through a matrix structure	A network of organisations (in some cases this includes stockholders and competitors)
Culture	Home country	Host country	Regional	Global
Human resource management practices	Overseas operations are managed by people from the home country	Local nationals are used in key management positions	Regional people are developed for key managerial positions anywhere in the region	The best people anywhere in the world are developed for key positions everywhere in the world

The above table indicates that a strategic orientation is one of the decisive factors which influence the SFJVs' corporate culture as well as HRM policies and practices. In particular, the staffing practices of an IJV are influenced significantly by the attitude of top management executives in MNCs (Cyr, 1995).

The central issue of parent-SFJV relationships concerns 'control', which can be defined as "the process of assuring that the results of operations conform to established goals or as the process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organisation's objectives"

(Keegan, 1984: 606). No SFJV can accomplish its goals without proper control in the complex Chinese environment.

MNCs in China are under two significant but usually contradictory pressures - those of global integration (standardisation) versus local responsiveness (localisation). These alternatives are arguably largely incompatible (Lu and Bjorkman, 1997). In the realm of HRM practices in particular, Lu and Bjorkman (1997) identified a trend for more MNCs to control HRM policies and impose a set of routines in recruitment services, training, wage-setting, etc., while HRM at JV level becomes an operational unit to implement instructions from the Western 'top'. This indicates that many MNCs prefer to adopt an ethnocentric' strategic orientation toward their SFJVs. Ethnocentrism leads to the belief that 'our way is the best way of doing things' (Fatehi, 1996; Mendenhall et al., 1995). However, A contingency view argues there is no 'one best way' to organise and manage – it all depends on the situation (Needham, et al. 1995). The literature has emphasised that the successful HRM practices in SFJVs require an understanding of impact of MNCs' strategic orientations, but it appears that the reaction from the Chinese parties involved has been neglected to some degrees.

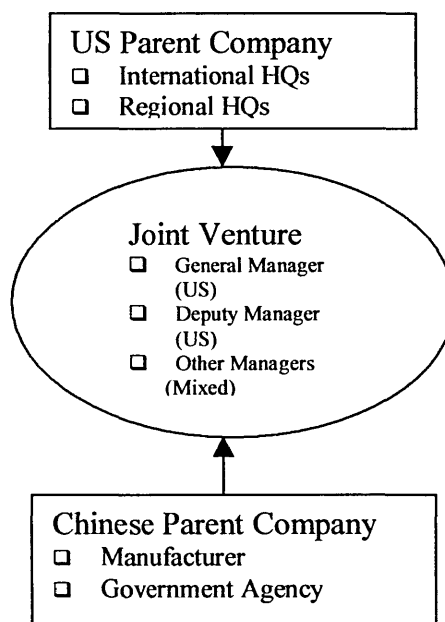
### **Organisational Structures, Corporate Culture and Their Implications**

Structure serves general functions of regulating responsibilities and relationships. It regulates the responsibilities assigned to each member for performing specific tasks, and the relationship that each member has with other members (Mead, 1995). An organisational structure must be created to encourage employees to develop



supportive work attitudes and to allow people and groups to co-operate and work together effectively (George and Jones, 1996). As a more complex organisational entity, a SFJV may deserve special attention from the early stages of formation concerning how the venture is structured and managed. Osland's (1994) framework may be useful to understand a typical organisational structure of a SFJV, which is illustrated in Figure 2.2 below.

**Figure 2.2: A Typical Structure of A US-China International JV**



**Source:** Osland, 1994

Under the SFJV Law, a venture should have either a board of directors or a joint management committee. The board of directors is the highest authority in a SFJV. China now allows the foreign partner to appoint the chairman of the board in a joint venture. In such the case the Chinese party appoints the vice-chairman (Baker and McKenzie, 1995). However, the study of HR-related managerial patterns within

SFJVs (i.e. GM + HR manager) and their implications has not been highlighted in the previous literature.

Corporate culture associated with organisational structure is intangible, but can control how individuals and groups in an organisation interact with each other and with people outside the organisation (George and Jones, 1996). The authors defined “organisational culture as the informal set of values and norms that controls the way people and groups in an organisation interact with each other and with people outside the organisation such as customers and suppliers” (p.473). Problems may arise when corporate culture is transferred through unrefined use of HRM policies and practices in the different context. Thus IJVs might be urged to develop a unified corporate culture which is independent of the parent firms from the different countries (Cyr, 1996). However, the study of the formulation of SFJVs’ own corporate culture, in association with development of their HRM practices, has been under developed in the previous research.

More specifically, Lundy and Cowling (1996:171) proposed a typology of the corporate culture: ‘strong’ and ‘weak’ cultures. In a strong culture, members accept core values and have a high commitment to the common cause; the opposite is the case with a weak culture. However, a strong culture can only benefit an organisation if the commitment of employees is aligned with the direction in which the organisation wishes to progress. Changing a strong culture to a different set of work-values is going to be harder than changing a weak culture.

Corporate culture affects the HRM in an organisation, and in turn, successful HRM practices may help build excellent organisational culture (Frayne and Geringer, 1989; Jones, 1996). A company should try to establish values and norms that motivate employees to do their best (Peter and Waterman, 1982). Until recently, however, many researchers and practitioners from the West were primarily concerned with the problems and costs created by the cultural diversity (see Section 2.2.2) in a SFJV. They seemed to ignore the potential benefits of such diversity to some extent. Although diversity of the workforce could be a source of competitive advantage, people of most cultures have a tendency to ethnocentrism (Fatehi, 1996:162). This was more pronounced in dealing with the developing countries (Beamish, 1988). Such a tendency could undermine the competitive position of an MNC, because the social fabric of any society, whether or not it is industrially advanced, can be as tenacious as that of our own (Beamish, 1998). Thus, Fatehi (1996: 161) urged MNCs to become a multicultural organisation in order to compete in the international marketplace.

In Section 2.2.2, the role of the Chinese national trade union has been discussed. The following section further depicts the trade unions at the organisational levels.

### **Trade Unions within SFJVs**

The specific issue of trade unions at the corporate level is relevant to the development of HRM in SFJVs (Warner, 1993, 1995). According to socialist ideology, workers are supported to play an important role and be 'masters of their enterprises'. In SOEs, the workers' participation in management is carried out through the workers' congress which possesses influence, including the power to recommend leading cadres for

commendation or promotion. Meanwhile, there is an organisation, so called 'trade union committee' which exists to help implement the decisions made by the works' congress (Nyaw, 1990). Though there is no provision for workers' congress in SFJVs, the SFJV Regulations state that workers have the right to establish a trade union and to carry on union activities in accordance with Chinese Trade Union Laws (Goodall, and Warner, 1997). Currently, only some SFJVs have been unionised (Ding, et al., 1997; Goodall and Warner, 1997). A unionised SFJV is required to contribute 2% of the total payroll to support the activities of its trade union (Tsang, 1994). In theory, the trade union's purpose in SFJVs is to represent the employees' interests formally. Trade unions oversee the implementation of labour contracts and can dispute 'unreasonable' dismissals. Moreover, trade union representatives have the right to attend meetings of the senior management to discuss labour issues as well as the venture's general operation (Tsang, 1994).

The trade unions at all levels are under the control of the Chinese partner, and participation by the foreign partner is not allowed (Warner, 1995). Therefore, the foreign partners may be worried by the official power conferred on trade unions. However, Tsang (1994) pointed out that in short, the presence of trade unions in SFJVs need not be a problem to either the Chinese or the foreign partner. Among the unionised SFJVs, Lu and Bjorkman (1997, 1998) found that main role of these trade unions is to organise some parties or outdoor activities. These is a long way from the assumptions underlying Western adversarial labour relations.

### 2.3.4 Summary

The above key contextual factors, which may be interrelated (also see Parkhe, 1993), have implications for HRM practices in SFJVs of differing degrees. Different goals, management styles, perceptions, and values of parent firms may result in corporate disharmony, and even frequently to the failure of the venture (Datta, 1988). Obviously, complexity is added to how HRM operates when multiple parent firms are involved.

Despite globalisation MNCs remain strongly embedded in their parent system (Ferner, 2001). Thus, a key issue is how far parent-country behaviour is reproduced in China and how far different behaviour is adopted. The reproduction of domestic behaviour in SFJVs may be labelled 'isomorphism': the behaviour of the subsidiary being similar to that of the parent; by contrast, the adoption of different behaviour in the subsidiary can be called 'differentiation' (Ferner and Quintanilla, 1998). Isomorphism or differentiation may not only reflect the strategic choice of an MNC's decision-makers but also depend on the results of negotiation with its Chinese partner. Moreover, one issue related to 'diffusability' of MNCs' practices, so called the 'institutional distance' between different business systems, is likely to influence the relative weight of isomorphism and differentiation (Ferner, 2001). There is a common proposition that the success of transfer of a strategic organisational practice from a parent company to a recipient unit is negatively associated with the institutional distance between the countries of the parent company and the recipient unit (Kostova, 1999: 316). Another aspect of 'diffusability' is the 'push' factor of management intervention or desire to diffuse (Ferner, 2001). For example, US-Chinese IJVs have been more likely to attempted to transfer their 'Americanness' to China, though this has been met with

subtle resistance in a number of cases (Ferner, 2001; Lu and Bjorkman, 1998). The ability of a MNC to propagate its domestic business practices among its subsidiaries abroad is influenced by what has been called the ‘dominance’ effect. The notion of dominance relates to a country’s position in the international economy (Ferner, 2001). The studies on such ‘institutional distance’ and ‘dominance’ effect in relation to HRM practices in SFJVs have been underdeveloped in the literature.

The above key contextual factors and their implications were normally studied from the MNCs’ perspective (also see Geringer and Frayne, 1990; Killing, 1982), little attention, however, was given to understanding how these influential factors often concerned Chinese managers and employees in practice, and to what extent these factors shaped the HRM practices from the Chinese perspective.

In addition, in the rapidly changing environment in China, some previous research findings need to be treated with caution. Now, the thesis turns to examining current HRM practices within SFJVs by reviewing the existing literature.

## **2.4 Literature on HRM Activities in SFJVs**

HRM is the term used to describe the wide range of activities involved in attracting, developing, and maintaining the best and most capable people as a talented and energetic organisational force (Lu and Bjorkman, 1998). HRM practices are construed in the contexts throughout this dissertation.

### **2.4.1 Typical HRM Activities in SFJVs**

HRM practices need to be disaggregated, since cross-national isomorphism may occur for one set of behaviours and differentiation for another (Ferner, 2001; Lu and Bjorkman, 1997). Although there are a number of practical HR concerns in SFJVs, the following key HRM activities in SFJVs are particularly focused upon in the research:

- Selection and Recruitment
- Training and Development
- Reward and Recognition
- Promotion and Rotation
- Performance Appraisals

#### **Recruitment and Selection**

Recent studies have indicated that China's labour reform and expanding labour market offer multiple options for SFJV (Ding, et al., 1997; Verburg, 1996; Warner, 1997). In summary, new staff in SFJVs could be obtained from the following principal channels:

- recruiting through the Chinese partner
- recruiting through the foreign partner
- recruiting from the local labour markets by SFJV itself

The Chinese partner of a SFJV is usually a SOE in the same industry. It is thus a national source of labour, and many SFJVs, especially during the start-up stage, tried to tap this resource (Tsang, 1994). Meanwhile, most local partners preferred transferring their own staff to take over important positions rather than to leave the places to

those 'external' people (Lu and Bjorkman, 1998). The danger here is that if a SFJV took too many employees from the Chinese parent firms, these people would tend to reinforce each other in their old way of thinking and behaving (Epner, 1991). Moreover, due to attraction of higher earnings in foreign -invested enterprises, the Chinese partners would tend to recruit more staff than were actually needed, sometimes including relatives or friends of the Chinese officials who might not really qualified for the job (Ding et al., 1997). The newly-formed SFJVs are often now faced with a Chinese partner which is severely overstaffed (Verburg, 1996). Therefore, Tsang (1994) suggested foreign investors need to resist overmanning, otherwise productivity would be sacrificed.

According to the Chinese system of labour law (see Section 2.2.2), SFJVs are allowed to recruit staff from the labour market. They are free to advertise in local newspapers and conduct job interviews (Tsang, 1994). Many of Chinese young people would have come to the SFJV for opportunity to work under Western management (Epner, 1991). Meanwhile, before the reforms of the employment system, college and university graduates would be assigned by government to job positions in specified enterprises without considering their own aspirations (also see Section 2.2.2). Recently, such a central control was gradually relaxed for college and university graduates (Warner, 1997). This would no doubt provide SFJVs with a large pool of new skilled employees. One advantage of employing fresh graduates is that they do not bring any 'old' management practices into the workplace (Tsang, 1994). As matter of a fact, there are even substantial differences in the methods of graduate recruitment in the Western countries. The representation of graduates amongst managers is 85 per cent in the USA,



60 per cent in France and Germany, but only 20 per cent in the UK (Sparrow and Hiltrop, 1994).

Managerial resources and staffing expatriate managers will be discussed in Section 2.3.2, given their specific importance in this study.

The selection decision has always been important as the vehicle for obtaining the appropriate 'person-job fit'. The job-interview, with characteristics of low validity, medium cost, but very good acceptability, has been widely used in Western countries (Armstrong, 1993). This is mainly because the interview is a flexible, variable and speedy means of face-to-face exchanging information over a broad range of topics (Armstrong, 1993; Anderson and Shackleton, 1993). In general, all types of selection tests can have some value in helping to determine a candidate's abilities, assess his/her disposition, and evaluate his/her attitudes; but they should all be applied by well-trained staff. Improperly used, they can be a waste of time and even lead to downright misleading discussions (Torrington and Hall, 1995; Huo and Von Glinow, 1995). Especially in China, Huo and Glinow (1995) found that strong subjective bias existed in the selection procedure conducted by Chinese managers. In comparison with Western managers, Chinese managers are more likely to make 'Guanxi' an explicit condition of employment. To a certain extent, it reflects a desire of Chinese managers to secure some initial credibility through the third party (e.g. a family member or best friend) who has had a well-established relationship with the recruiter through years of social interaction (Huo and Von Glinow, 1995). Moreover, few Chinese employees believed that one could select a good team member on the basis of the short encounter during a job interview (Huo and Von Glinow, 1995). In Chinese society, it is

generally believed that personality can be changed through a life-long re-education and cultivation process. Thus, these factors have to be taken into accounts by foreign managers in transplanting their standard personnel selection procedures to China (Huo and Glinow, 1995). Job interviews, if used in China, most likely would be perceived as a starting-point for building a long-term partnership.

Therefore, it was not surprising that in many of SFJVs, selection procedures were limited to job-interviews and the use of application forms. Psychometric tests, assessment centres and other measures of assessment widely used in Western companies, have little place in China (Verburg, 1996). However, the recent findings (e.g. Ding et al., 1997; Dowling et al. 1999; Lu and Bjorkman, 1998) have indicated that Western recruitment methods, such as job advertisements and employment tests, are now used in more and more SFJVs in order to select competent and motivated employees.

In China, finding the right people was never easy (Epner, 1991; Zhao, 1993), but succeeding in having them transferred from their previous employers was even more difficult (Tsang, 1994). If the old employers do not support such a transfer, they may refuse to release the individuals' 'Dang An' (personal files) in order to keep them. Failure to obtain Beijing 'Hu Kou' (the permanent residence permit) for some qualified applicants from other provinces or cities also deters the recruit from taking up the new jobs in Beijing (also see Section 2.2.2).

According to the Labour Law, employees of all enterprises in China are required to enter into individual labour contracts, which should cover terms of employment, job

description, labour protection and conditions, remuneration, discipline, termination and liability for breach (Ding et al., 1997).

## **Training and Development**

If training and development of its employees is not seen as a vital component in the realisation of business plans, then it is hard to accept that a company has committed itself to HRM (Storey, 1995). There is also wide agreement in the West that improved skills and qualifications are central to securing the future competitiveness in the marketplace (e.g. Armstrong, 1993; Cry, 1995). In France, for example, the state imposes laws on organisations such that 1.2 percent of wages must be spent on training. This legislative control has apparently had a beneficial impact on organisational behaviour. In Netherlands, average of 3 percent of wage bill spent companies on training (Sparrow and Hiltrop, 1994: 390).

In general, the main purposes of developing a training programme in IJVs are elaborated from previous research in the West (Geringer and Fraye, 1990; Tsang 1994), and may be outlined as follows:

- Improve current or future employee performance by increasing (through learning) an employee's ability to perform, usually by changing the employee's attitudes or increasing his or her skill level and knowledge.
- Can be a useful control mechanism because it can remove performance deficiencies, thereby improving the employee's ability to perform better and allowing the organisation to be more effective. It can also facilitate transfer of the know-how from parent to the IJV.

- Encourage employees to think and behave in ways consistent with the parents' cultures, objectives and interests.
- Can be used as mechanism for establishing and perpetuating a unique JV culture, one which is appropriate to the venture's specific circumstances.
- Act as a motivator. Overseas training particularly serves as a motivational tool.
- Can reduce the amount of expatriates in the SFJVs.
- Retain staff with provision of good training opportunities.

However, the low level of education and management training among Chinese managers continues to be a major concern for foreign investors (Tsang, 1994). The lack of higher education in general and management training in particular is usually attributed to the Cultural Revolution (1966-1976) during which educational institutions were closed down and a whole generation of potential managers was lost. Therefore, there may be too many staff requiring training and the related cost can be very substantial. There must be a careful analysis of training needs and monitoring of the effectiveness of training (Tsang, 1994).

A foreign parent firm may help to assure that a training programme will be developed which is appropriate for the venture's needs. Geringer and Fraye (1990) suggested implementing a monitoring system, possibly in conjunction with the venture's performance evaluation process, to assess the effectiveness of the training programme and any modifications which might be necessary over time. There is a focused approach (Osbaldeston and Barham, 1992) which emphasises that training should be: 1) a continuous learning process; 2) essential for business survival; 3) linked to organisational strategy and individual goals.

Although the training and development literature has pointed out that improved skills and qualifications are central to securing the firms' competitiveness (e.g. Armstrong, 1993; Cyr, 1995), a related problem is the job-hopping of well-trained staff (Tsang, 1994). Some companies have solved this through explicit training contracts, which require employees to stay for some minimum period after receiving their training or pay back some portion of the training expenses. In practice, there is reluctance for some SFJVs to train their employees, because they may not receive immediate returns and employees may leave the SFJVs after training (Dowling et al. 1999; Huo and Von Glinow, 1995). Verburg (1996) found that many SFJVs gave priority to improving production rather than to developing future managers, and the training was only essential for maintaining and improving the quality of production.

### **Reward and Recognition**

Rewards are a powerful incentive for augmented work performance, and can be used to reinforce the strategic agenda in the IJVs (Cyr, 1995: 129). The successful management of payment systems is critical to successful HRM in SFJVs, but it is not easy to achieve. In general, an effective compensation policy should strive to meet the following goals (Armstrong, 1993; Armstrong and Murlis, 1994; Cyr, 1995; Harzing and Ruysseveldt, 1995):

- Be congruent with and support corporate values and beliefs
- Emanate from business strategy and goals
- Be linked to organisation performance
- Drive and support desired behaviour at all levels

- Fit desired management styles
- Provide the competitive edge needed to attract and retain the level of skilled the organisation needs
- Be anchored to the realities of the labour market
- Attract and retain qualified employees
- Support staff commitment
- Encourage team working
- Be cost-effective

These objectives may often be conflicting. For example, a generous pay package will certainly attract and retain employees, but may not be very cost-effective. Thus, there is no universal reward package for SFJVs to adopt (Steward and McGoldrick, 1996).

In the traditional SOEs, Chinese employees were rewarded according to the 'Iron Rice-Bowl' policy. While people were working hard, going the extra mile and doing their job, they were getting the same amount of money as a person here who was not doing their job, or did just enough to barely get by. An effective reward system from a Western perspective, however, is mainly based on an effective performance appraisal process. Along with the economic reforms, both SFJVs and SOEs have attempted to move to a performance-based rewards system (Warner 1997). But owing to the ideological legacy of egalitarianism, the large wage differences between workers could easily lead to 'red eye disease' (the common Chinese expression for jealousy) destroying harmonious working relations (Verburgh, 1996). Thus, some of these companies are using 'Back to Back' method (note: the employees did not know each

other about their earnings) to pay employees in order to avoid so called 'red eye disease' and the unexpected chaos in the organisations that it may cause (Ding et al. 1997).

The new Labour Law now allows SFJVs to set their own wage systems (Ding, et al. 1997). In practice, in the negotiations establishing the SFJV, the Western partner can press for the authority to determine the wage and bonus for individual workers (Holton, 1990). The Law also establishes a national social security system in China, shifting the management of social insurance from the enterprises to the local and, ultimately the national level (Yang, 1996). Accordingly, the complete wage package actually consists of the basic wages, bonuses and subsidies. Take-home pay, which includes the basic wage plus bonuses, amounts to about three-quarters of the package. The employees' insurance, welfare, pension and housing funds are paid to the local authorities (Tsang, 1994). In particular, many SFJVs might find that their ability to offer attractive housing benefits is crucial to hiring and keeping good staff. (Tsang, 1994; Lu and Bjorkman, 1998).

Since increasing compensation alone may not improve employee commitment and loyalty, Cyr (1995) suggested that in IJVs more than one compensation system sometimes might operate simultaneously. Such a two-tier labour force implies that a dual reward system may be needed for motivating Chinese employees in SFJVs, with pay emphasised for those workers and intrinsic rewards emphasised for professionals/key employees. Non-monetary recognition demonstrates to employees that their efforts are appreciated, and consequently encourages continued excellence (Cyr, 1995). Reward and non-monetary recognition programmes, in general, appear

the most effective when they are applied meaningfully and consistently. Thus designing the reward system in SFJVs requires very careful consideration.

### **Promotion and Job Rotation**

Promoting for age is typical in Chinese SOEs, since many Chinese employees apparently suffered from a serious loss of 'face' when a younger person or a person with shorter tenure in the company makes faster career progress than they did (Lindholm et al. 1999). As a result, some older employees even decided to leave the companies (Child, 1994). In most SOEs, promotion could involve collective actors, such as workers' congress, trade union, Party organisation, peers and even subordinates (Lu and Bjorkman, 1998). The emphasis on seniority is consistent with the Chinese traditional respect for 'elders' who are supposed to have more knowledge and be wiser because of their life experience (Tsang, 1994). However, an SFJV's promotion policy was mainly taken by the general manager or the Board (Lu and Bjorkman, 1997), and an incumbent manager's track record, skills, and experiences were reported to be the most important criteria for promotion. Meanwhile, some SFJVs used internal promotion as priority to fill vacant managerial positions (Ding et al. 1997).

Lu and Bjorkman (1998) pointed out that the localisation process became more urgent in the SFJVs which had a large number of expatriates. Therefore, promotion of local managers was considered by the MNCs as an important agenda in their HRM strategy.

Although many Chinese employees expected extremely fast hierarchical progress, a job rotation may provide them with alternative career path. Job rotation is a system in



which employees rotate to various jobs in order to gain broad skills (Lundy and Cowling, 1996). The benefit to the employee is greater job variety, and less potential for boredom as the result of repetitive job assignments. The benefit to the company is greater flexibility in the operating process (Cyr, 1995). Rotating local managers within a SFJV was regarded as a 'good HRM practice' (Lu and Bjorkman, 1998: 76), but it seemed not to be widely adopted in SFJVs in practice.

### **Performance Appraisals**

Performance appraisal is another central element in a Western HRM system. Although there is no universally accepted model of performance appraisal, it often includes a definition of the employee's objectives, monitoring and measuring of the performance, feedback on the results, and rewards and plans to improve future performance (Lindholm et al. 1999: 143). To meet strategic objectives, the performance appraisal system will ideally reinforce central operating requirements of the SFJVs. The performance appraisal system will operate most effectively if it is consistently applied to all employees (Lundy and Cowling, 1996). And it requires supports from senior managers as well as mid-level managers, supervisors and other employees (Cyr, 1995).

In most Western companies, employees are normally appraised by their immediate manager. The process can be as simple as filling out a narrative report once a year about an employee's quality and output of work, or it may involve sophisticated measurement technologies, such as simple rankings, ratings, behavioural checklist, critical incidents and/or comparisons with objectives (Lindholm, et al. 1999).

Performance appraisal is also widely practised in Chinese SOEs (Easterby-Smith et

al. 1995; Nyaw, 1995). The unique feature of Chinese performance appraisal practices is that they place greatest emphasis on the ‘moral’ aspect, such as political attitude, team spirit and diligent work for the motherland (Nyaw, 1995). In China, appraisal is often carried out through self-evaluation and ‘democratic’ sounding of opinions. In practice, this seems that an employee writes a self-evaluation and these comments are reviewed by superior managers and then transferred to the employee’s personal file (‘Dang An’). The difference between Chinese traditional and Western modern performance appraisal practices seem to encompass evaluation criteria, appraisal methods and sources of appraisal, which are summarised in the following table:

**Table 2.3: Comparison between Chinese Traditional and Western Modern Appraisal Practices.**

	Chinese	Western
Evaluation Criteria	Broad evaluation criteria related to task but also ‘moral’ and ideological behaviour	Performance criteria related to specific objectives of task
Appraisal Discussion	No appraisal, discussion limited interpersonal feedback	Appraisal discussion, direct feedback on performance
Sources of Appraisal	Self-evaluation and ‘democratic’ sounding of opinion by peers and subordinates	Usually immediate manager

**Source:** Easterby-Smith et al. 1995

As seen in the above table, the Chinese traditional appraisal method lacked specified criteria and other performance measures commonly used in Western market economies (Dowling et al. 1999: 265). The relevant issue is thus whether the performance appraisal systems stemming from the Western parent firms need to be adapted to suit the specific needs of the SFJVs. The creation of a performance appraisal system

appropriate to the SFJV is likely to pose particular cross-cultural challenges (Cyr, 1995). For example, in a highly individualist culture such as Britain, people tend to place a high value on individual achievement and self-actualisation. In this context, job design, performance appraisal and rewards may be expected to focus on the individual employee. In a more collectivist society such as China, however, social orientation is very important and there is greater emphasis on maintaining good relationships within the work group and on saving face and avoiding shame (Snape et al., 1998). Thus, performance appraisal, with its focus on individual performance and accountability and on open confrontation, may be less appropriate in a collectivist society, such as China.

Performance appraisal usually requires listening, giving and receiving feedback, counselling and dealing with emotions (Gomez-Mejia, et al. 1995). However, most Chinese managers do not have good skills in listening and dealing with emotions (Huo and Glinow, 1995). It is understandable that both managers and workers want to avoid blunt confrontations and many Chinese employees would rather not participate in such a process lest friendship with co-workers be ruined (Huo and Glinow, 1995). Thus, Lindholm et al. (1999) suggested a need for foreign parent companies to make some adjustments to their appraisal practices to the Chinese context, and also to modify the style of communication in appraisal discussions.

Although performance appraisal is primarily used for determining bonus and wages rather than for developmental and communication purposes, it is being used by many SFJVs to weaken the old practice of egalitarianism and to facilitate the abolition of the 'iron rice-bowl' system (Dowling et al. 1999).

## **2.4.2 Managerial Resources for Staffing SFJVs**

The complexity of managing SFJVs' employees requires qualified managers.

Normally, the companies may have the option of hiring from the following managerial sources a SFJV: home country nationals/expatriates, Chinese nationals and third country nationals (Fatehi, 1996; Phatak, 1997; Mendenhall, 1995). The selection of managers for SFJVs might be influenced by parent companies' strategic orientation and some operational needs (Chakravarthy and Perlutter, 1985, in Rugman and Hodgetts, 1995:215).

Businesses seeking to operate overseas need to develop their human resources, and require overseas managers and technical personnel to be deployed in host countries. However, a practically difficult issue in the assignment of expatriate managers from a MNC to its SFJV is the identification of the 'best' persons for each job (Lu and Bjorkman, 1998). The selection and hiring process of managers for SFJVs is a very complex and difficult task, due to differences of culture, political system, local laws, etc. (Prahalad and Lieberthal, 1998). Thus, an awareness and understanding of some generalisations about the Chinese culture can spare the expatriate manager considerable anxiety and frustration, and expedite the process of management (Sweeney, 1996). In practice, however, cross-cultural training primarily aimed at facilitating work adjustment is not very commonly provided to expatriate managers by international firms (Selmer, 1998). Also, the international business literature does not provide much guidance on the training and development programme for the international assignment, especially to the newly emerging market in China (Aahad et al., 1998). As a result, there is a high failure rate of expatriate assignment. For example, between 16 and 40

per cent of expatriates US managers do not complete assignments because of poor work performance or adjustment problems, whilst between 50 and 80 per cent of US managers perform under par (Sparrow and Hiltrop, 1994).

In contrast, a host country national may be selected because of knowledge and understanding of local markets, consumers, and governments (Fatehi, 1996). In particular, Chinese managers may provide the SFJVs with valuable 'Guanxi'.

Nowadays, many MNCs are selecting more host country and third country nationals to fill managerial positions in their foreign subsidiaries, due to the increasing costs and the high failure rate of expatriate assignment (Fatehi, 1996).

Indeed, replacing expatriates with local employees is one of the most hotly debated issues in the corridors and canteens of international companies operating in China (Dowling et al., 1999). Foreign investors often like to portray of the process of 'localisation' as an unalloyed good: good for the Chinese staff, whose morale is lifted by promotion or, at least, a sense of equal opportunity; good for the company, which benefits from a management in touch with the needs and culture of the local market; and good for the bottom line, since sending expatriates home can generate huge cost savings (Harding, 1998).

Sometimes, however, Chinese managers may not possess the required managerial expertise in Western views. Although expatriates have their own set of problems, Prahalad and Lieberthal (1998) acknowledged that expatriates could play 'multiple roles', transferring technology and management practices, transmitting corporate culture, and acting as credible conveyors of information between the emerging

market and head office. Especially due to a shortage of well-trained local managers for more and more coming MNCs in China, expatriates are the only logical choice. Meanwhile, lack of these skilled Chinese managers implies that training local managers is often necessary before the foreign partner is able to reduce the amount of expatriates in the SFJV. The companies that have localised in a hurry without sufficient training for the replacement Chinese managers, have found they can quickly lose financial discipline, quality control, and corporate identity (Harding, 1998).

Regarding staffing patterns along the time scale of international joint ventures, three approaches have been developed in the previous research (Rugman and Hodgetts, 1995:324; Fatehi, 1996: 308-310): Firstly, many foreign investors will initially rely on home country managers to staff their overseas units, gradually putting more host country nationals into management positions as the firm gains experience. Another approach is to use home country nationals in developing countries and employ host country nationals in more developed regions. The third pattern is to put a home country manager in charge of a new operation, but once the unit is up and running, turn it over to a host country manager. In other words, as a firm commences manufacture in that country, expatriate managers and third country nationals are used. Harding (1998) addressed the process of transferring management control from foreign to local staff, touching on some of the most sensitive areas between people working in SFJVs. These included trust, transparency, racial discrimination and the huge differences in management experience, education, pay, opportunity, and local market understanding. As a foreign company moves through the ensuring stages of internationalisation, the nationality mix of the managers in a SFJV unit may be able to meet the changing demands of the environment in China (Harding, 1998; Tayeb and Pollard, 1996).

Staffing and developing SFJVs' managers should not only be seen simply as a desirable component of IHRM, but also as an essential contributor to parent companies' objectives (Cyr, 1995). Previous researches have concentrated on studies of expatriate assignment in relating to local localisation vs. globalisation based on the MNCs' position: i.e. what is the best for MNCs. However, little attention has been paid to the extent of 'acceptability' from the Chinese side.

### **2.4.3 Summary**

This section has reviewed the literature relating to critical descriptions of typical HRM activities in SFJVs. These are: recruitment and selection, training and development, rewards and recognition, promotion and job rotation as well as performance appraisal. These HRM practices commonly used in the West are now employed in many SFJVs. The managerial resources and international staffing have also been put in the spotlight in this section. Localising too fast might be hazardous, but moving too slowly could also lead to a problem. In summary, HRM practices in SFJVs have been moving away from the Chinese traditional personnel management systems, but 'fully-fledged' HRM seems still far away. Such shift from the old practices has been only partial.

The following section seeks to further shed light on the more elusive question of how HRM practices developed in SFJVs in context, by critically evaluating current literature, regarding how HRM practices have operated in SFJVs in the Chinese context.

## **2. 5 Critical Evaluation of Recent Research on HRM Development in SFJVs in the Chinese Context**

As a socialist country, China has often been regarded as one where it is difficult to develop international HRM practices (Ahmed and Li, 1996; Child, 1994; Glover and Siu, 2000; Tsang, 1994). In particular, both Chinese culture and Chinese traditional personnel management practices, which were rooted in the previous planned economic system, have often been regarded as ‘barriers’ from the Western perspective (Ahmed and Li, 1996; Hofstede, 1993; Tayeb and Pollard, 1996; Tsang, 1994; Warner, 1993; Zhao, 1993). Also, SFJVs were found to be unique in the following aspects: 1) SFJVs have a high frequency of association with government partners; 2) foreign partners’ satisfaction with performance is low; 3) the foreign partner most commonly has a minority equity position (Beamish, 1993).

In order to do successful business in China, both researchers and practitioners have had therefore made great effort to attempt successfully to transplant HRM practices from MNCs into their SFJVs in China. Consequently, much of the existing literature on this topic has been written from the convergence/universalistic perspective, which emphasises transferring Western HRM ‘best practice’ into China (e.g. Ahmed and Li, 1996; Epner, 1991; Huo and Von Glinow, 1995; Johnson, 1996; Shore et al., 1993; Von Glinow and Teagarden, 1988), or from a comparative perspective, which is still underpinned by convergence assumptions on the idea of ‘progress’ against universalistic Western stands (see the following Tables 2.4 and 2.5).



The administration of personnel under the former planned economy was merely the negative ‘supervision and/or control of people’, which did little to increase the productivity of workers because of its neglect of the employees’ needs for self-development. By contrast, HRM under the market economy regards employees as the most important resource which can be developed to increase productivity and overall organisational performance (Zhu and Warner, 2000). In most Western countries, HRM has become a specialised profession whose purpose is to help business/line managers enhance superior performance through better management of people. In this regard, within a corporation, HR managers are expected to be professional enabling employees to achieve the firm’s strategic objectives with the best quality and lowest costs. Therefore, the comparisons of personnel management practices were often made in the following ways: MNC standardisation versus localisation (e.g. Lindholm et al., 1999; Lu and Bjorkman, 1997), and/or Chinese traditional ‘iron rice-bowl’ system versus pure ‘imported’ practices (Goodall and Warner, 1997). Most studies used the notion of traditional personnel management practices in SOEs as one point of reference and Western HRM ‘best practice’ as another one. For example, Goodall and Warner (1997: 571) used the schema (see the following table) to contrast ‘iron rice-bowl’ practices in SOEs in China with HRM practice in the US:

**Table 2.4: ‘Iron Rice-Bowl’ vs. Western HRM.**

	<b>‘Iron rice-bowl’</b>	<b>US HRM</b>
Labour Contracts	<ul style="list-style-type: none"> <li>• Life-time employment for urban workers</li> <li>• ‘Cradle-to-grave’ welfare coverage</li> <li>• Enterprises not permitted to sack</li> </ul>	<ul style="list-style-type: none"> <li>• No employment guarantee</li> <li>State or private welfare</li> </ul>

Incentives and rewards	<ul style="list-style-type: none"> <li>• Egalitarian but: age, length of service, loyalty</li> <li>• Non-material rewards</li> <li>• 8-grade system for labour, 16 grades for management</li> <li>• Housing, schooling, medical care</li> </ul>	<ul style="list-style-type: none"> <li>• Wider variety of pay structures, including performance-related, profit-related pay and material profit sharing</li> </ul>
Performance management	<ul style="list-style-type: none"> <li>• Moral exhortation</li> <li>• Group rewards</li> </ul>	<ul style="list-style-type: none"> <li>• Finance driven individual and group</li> </ul>
Social Security	<ul style="list-style-type: none"> <li>• Administrated by enterprise</li> </ul>	<ul style="list-style-type: none"> <li>• Separate from enterprise</li> </ul>
Trade Union	<ul style="list-style-type: none"> <li>• Controlled by Party</li> </ul>	<ul style="list-style-type: none"> <li>• Independent</li> </ul>
Workers Congress	<ul style="list-style-type: none"> <li>• Controlled by Party members</li> <li>• Workers as 'master of the house'</li> </ul>	<ul style="list-style-type: none"> <li>• No equivalent</li> </ul>
Personal Department	<ul style="list-style-type: none"> <li>• Administration</li> <li>• Control, conformity, discipline, punishment, 'Dang An'.</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic HRM</li> <li>• Multi-skill</li> <li>• Job enrichment</li> <li>• Administration</li> </ul>
Labour Market	<ul style="list-style-type: none"> <li>• No labour market</li> <li>• Centrally planned job allocation</li> </ul>	<ul style="list-style-type: none"> <li>• High labour mobility</li> </ul>

Such the Western model appears to radically contradict the Confucian ideals of the importance of proper human relationships - a sense of order, of vertical and horizontal relationships, of obligation to the group and a preference for harmony in interpersonal relationships (Sweeney, 1996). A survey of 30 Chinese managers and 37 American managers in SFJVs conducted by Baird et al. (1990) revealed significant differences in preferences for organisational form, work, employment, and reward systems, create problems for Sino-US JV success. Inevitably, when investing in China, MNCs may encounter a great challenge if they attempt to transfer Western HRM policies and practices to their local units, due to the sharp contrasts in terms of concepts and

methods in managing people as well as cultural differences between Chinese and Western countries (Lu and Bjorkman, 1998).

Indeed, when parent companies' HRM practices were not compatible, conflict might occur (Lu and Bjorkman, 1997). Conflicts are never easy to solve, least of all when they occur in a cross-cultural alliance (Hamel, 1991; Sierra, 1996). Therefore, the research taking a 'view from West' primarily concentrates on exploring to what extent and how Western investors can make effort to transplant successfully HRM techniques into SFJVs. For examples, previous researchers (e.g. Ahmed and Li, 1996); Shore et al., 1993; Tsang 1994) have attempted to provide a cultural approach to successfully transplanting HRM practices to China. Epner (1991) and Tsang (1994) argued, however, that such approaches may be too theoretical and a bit remote from practitioners.

The debates between universality and contingency of HRM practices have been going for some time. Indeed, the study of HRM has been invigorated by the promise that there is a 'best practice' that can guarantee superior organisational performance. Nonetheless, there remain concerns that contingency theory still rules (Wood, 1999). Becker and Huselid (1998) highlighted that HRM system should be internally coherent, externally aligned, and effectively implemented and it too would not be easily imitated. Meanwhile, some other researchers (e.g. Becker and Gerhart, 1996; Becker and Huselid, 1998) emphasised the need to distinguish practices from principles. They argued that principles were generalisable and universal, but contingencies and firm-specific factors entered into the design of practices and policies. Wood (1999) further addressed issues that extended beyond a simple competition between the

contingency and universalistic perspectives. No doubt, an HRM system can be adopted at least from two main sources: i.e. MNC's 'best practice' and the traditional personnel management practices in Chinese parent firms. Lu and Bjorkman (1997) therefore attempted to generalise a universal model of so called 'sino-foreign HRM practices' in comparison with those in MNCs and local firms. However, Wang and Satow (1994) argued that the patterns of HRM practices could be very different in various SFJVs.

Alternatively, Goodall and Warner (1997) proposed a framework (see Figure 2.2 below) for categorising the SFJVs in terms of their distance from traditional 'iron rice-bowl' HR practices and proximity to 'imported' practices, i.e. US HRM practices. This framework helps move away from generalisation by providing a way of illustrating graphically where individual HR practices stand. The authors concluded that foreign investors had modified traditional practice in SFJVs, the degree and extent to which this was true varied widely, and in particular they provided strong evidence of institutional and organisational continuity in 'iron rice-bowl' practices in SFJVs. This model may, however, lead to a conclusion suggesting that HRM practices in SFJVs are developed in the direction of so called 'Westernisation'. Then foreign managers may be encouraged to make further effort to transfer their 'best practice' in their own way.

**Table 2.5: A Typology of HRM Practices in China**

Pure Iron Rice-Bowl	Hybrid II (Mostly Imported)
Hybrid I (Mostly Iron Rice-Bowl)	Pure Imported

**Source:** Goodall and Warner, 1997: 590

Lu and Bjorkman (1997) examined the compatibility between MNC standardisation and localisation of different HRM practices in 65 SFJVs, and concluded that among HRM practices there were varied responses to MNC standardisation and localisation. Both recruitment and training are more likely to be compatible between MNC standardisation and localisation than rewards, promotion and performance appraisal. Therefore, the research result justifies the separate analysis of each HRM practice, rather than just using an aggregate measure of HRM practices.

The 'iron rice-bowl' system, which emerged from and was embedded in the previous centralised planned economy and rooted in the Chinese traditional culture, has been identified to be inconsistent with the requirements of developing human resources to achieve organisational competitive advantage in the 'socialist market economy' (Warner, 1995, 1996, 1997). A survey of 158 foreign enterprises in Shenzhen Special Economic Zone of the Guangdong Province in Southern China (Ding et al., 1997) indicated that these firms had moved away from centrally planned job allocation, lifetime employment and egalitarian pay. Data were collected using the questionnaires covering HRM practices for both management and non-management personnel and selected organisational characteristics. Verma and Yan's (1995) study also revealed the 'changing face of Human Resource Management' in China. Meanwhile, culture and socialist ideology were still remaining powerful influence (Ding et al. 1997). However, these researchers did not provide strong evidence to show how HRM practices actually developed in SFJVs.

Warner (1996, 1999) also pointed out that Western-style HRM had not yet replaced existing personnel management due to organisational inertia and built-in cultural

norms, and then suggested that HRM in China might move towards a 'hybrid' form, i.e. 'HRM with Chinese characteristics', which is a typical example of modification of foreign concepts and patterns of HRM into Chinese usage. However, such a 'hybrid' form did not recognise the ongoing nature of change both within and outside the SFJVs (Gamble, 2000). Therefore, this could not be seen as a dominant strategy for managing Chinese employees in SFJVs. Similarly, some other researchers, like Sweeney (1996), equated the current 'Chinese Model' of HRM with the 'iron rice bowl' system in their studies, but completely ignored that many traditional Chinese values and practices were in many cases no longer valid in the rapidly changing environments in China (Verburg, 1996). Benson and Zhu (1999) also believed that new employment systems in China, so called 'adapted HRM' were replacing the traditional personnel management systems. However, they failed to provide convincing evidence to show what needed to be adjusted, who are qualified to adapt the 'best practice', how these functions can be adapted, and to what extent these can be adapted. Therefore, such adapted policies may not be possible to put into practice. In contrast, Lu and Bjorkman (1998) suggested that the MNC should be increasing concerns for the establishment of 'China-specific HR systems' which represent a commitment to long term development in China. But it seemed not to highlight the international-oriented characteristics of such new HRM practices in SFJVs.

By conducting questionnaire survey with 57 statements which were based on perceptions of American businessmen, Brunner et al. (1992) found that most of 182 Chinese managers concurred that American businessmen were not sufficiently familiar with Chinese methods of conducting business and were not skilled in relationship management. Lu and Bjorkman (1998) also frequently heard complaint from local

managers during their investigation with 65 SFJVs that foreign expatriates had little knowledge of China's environment. Ying (1996) argued that HRM practices in SFJVs need to be also investigated from the Chinese perspective, and believed that "this was perhaps the only way that research in the West could discover the appropriate solutions to many of problems and difficulties encountered in SFJVs" (p.81). However, previous research in the West obviously gave less attention to understanding SFJVs employees' views and attitudes towards Western HRM 'best practice' and their implication for HRM practices in SFJVs.

Moreover, in the rapidly transforming economy of China, the previous results might be very much in line with the tentative conclusions, and some results might no longer provide valuable guidance to the current and future developments in China. For example, some characteristics of SFJVs presented by Beamish (1993) at one point in time could not be expected to remain static, since China's economy reform is undergoing an unprecedented transition from a centrally planned economy to a 'socialist market economy'.

## **2.6 Conclusions**

The above literature review has provided foundational work for the empirical research by showing the relevant body of knowledge and evaluating both achievements and failure in previous studies.

Though there is recent evidence for convergence, divergence theory is still relevant in understanding IHRM practices in different national business systems (i.e. Ferner,

2001; Wood, 1999). Therefore, management researchers need to study international HRM in context.

IJVs offer significant benefits to their parent companies. However, the extent to which these benefits are actually realised depends very largely on how well the IJV's human resources are managed and utilised. Without successful IHRM implementation, both corporate strategy and HRM policy are but a fantasy. Now, capable and committed human resources are emerging as a critical factor in determining whether an IJV thrives and develops (Dowling, et al., 1999; Lu and Bjorkman, 1998). By doing research in this area, interested scholars have significant opportunities to help international business organisations develop and sustain HR-based competitive advantages in the marketplace.

As SFJVs have been proliferating in China, HRM in SFJVs has continuously drawn more and more researchers' and practitioners' attentions. This chapter has identified a range of characteristic features of Chinese distinctive business system. And it has taken a snapshot to look at SFJVs' typical HRM activities separately which were examined in the literature. The previous studies on developing HRM practices in SFJVs have been critically evaluated in this chapter in order to show the legitimacy of this research work.

The previous studies on managing human resources in SFJVs varied greatly: the various purposes of the research, the different ways in which the topic has been studied, and issues different authors have highlighted as a result of their work, as well as their angles to look at the subject. In general, the research in the West made great effort to attempt to successfully transfer Western HRM into China (e.g. Goodall and Warner,



1997; Verburg, 1996; Von Glinow and Teagarden, 1988). However, the study taking the 'view from China' is under developed in the literature (also see Ying, 1996). Many English language textbooks regarding IHRM concentrated upon the expatriate management, including recruitment and selection, pre-departure training, compensation and allowance as well as repatriation (e.g. Evans et al, 1989; De Cenzo and Robbins, 1994; Gomez-mejia et al, 1995, etc.). But less attention has been paid to effectively develop local managers in China. The previous literature has been well developed in coping with 'culture differences' in the development of HRM practices in SFJVs. Less effort, however, has been made by researchers to recognise and even make use of the advantages of 'culture diversity' in SFJVs. Consequently, Chinese culture has been often regarded by foreign managers as a 'barrier' to developing successful HRM practices in SFJVs (e.g. Brunner et al., 1992; Tayeb and Pollard, 1996). Moreover, many researchers attempted to develop a 'culture-driven approach' (e.g. Huo and Von Glinow, 1995; Tsang, 1994) in order to transplant Western 'best practice' into China. However, the studies of other characteristics of the Chinese distinctive national business have been relatively under-developed, with some areas remaining virtually untouched. Although a corporate culture may have significant impact upon the organisational behaviours, the study of formulation of SFJVs' favourite corporate culture, in association with development of their successful HRM practices, has also been under-developed in the literature. In summary, to date research on HRM in SFJVs is still at a point where published findings have raised more questions than they answered. Thus, little is actually known about the way in which SFJVs' HRM practices have developed in practice. Therefore, it is necessary to conduct an investigation in China in order to address the research problem by generating a set of research

proposition/hypotheses regarding how Chinese HR managers/professionals in SFJVs would construct the current HRM practices in their ventures.

Regarding research methods adopted in the previous research, it appears to be a great challenge for researchers to gain access to carry out the HR-related investigations within China. Sampling is not only a theoretical concern but also a practical problem. Obviously, the research questions/problems should also be informed by addressing the methodological issues. Therefore, the following chapter turns to discussing the methodology and methods adopted in this empirical research.

## **CHAPTER 3: METHODOLOGY**

### **3.1. Introduction**

The preceding chapter described and critically evaluated the existing literature on HRM practices in SFJVs, which provided the theoretical foundation for the empirical research. This chapter outlines the methodology adopted in this thesis.

In order to address the research problems and achieve the research objectives, the study on HRM practices in SFJVs inevitably involves gathering and using empirical data to shed light on the research questions. The research approach is more than data alone. The gathering, analysis and interpretation of data are always conducted within some broader understanding of what constitutes legitimate inquiry and warrantable knowledge (Henwood and Pidgeon, 1993).

Therefore, the methodology chapter starts with the general understanding of philosophical underpinnings of the social research before describing the general research process. The main part of the chapter then describes and discusses research methods selected and the procedure followed in the research. The ethical concerns of the social research are highlighted in the following section. The chapter concludes with setting out the way in which aims and objectives will be achieved, as well as understanding the methodological limitations.

## **3.2 An Overview of Epistemology and Methodology**

### **3.2.1 Introduction**

Social research approaches are bound up with different sets of assumptions about what kind of understanding social research can generate (Moir, 1998). It is important to understand these assumptions before going to the empirical research, since they orient researchers towards certain ways of thinking about the subject-matter in which they are interested and help them to make decisions on how to undertake research (Hart, 1998: 86). Thus, this section focuses on understanding the debates between positivism and constructivism, as well as between qualitative and quantitative paradigms in the management theory before describing the research methods adopted.

### **3.2.2 Positivism, Post-positivism, and Constructivism**

There is a heated debate on the two epistemological poles, known as positivism and constructivism in the previous studies of management. Positivists believe that social scientific research can attempt to explain in an objective manner features of people's thinking and behaviour. These features can be investigated by various techniques: the experimental method, attitudes questionnaires and other quantitative methods (Jankowicz, 1992). The natural science approach held to underpin the experimental method is the dominant paradigm in psychology and other forms of quantitative social research. This paradigm emphasises universal laws of cause and effect based on an explanatory framework which assumes a realist ontology; that is, that reality consists of a world of objectively defined facts (Henwood and Pidgeon, in Hammersley,

1993:15). Therefore, we are capable of distinguishing the true from the untrue, to build knowledge of what's out there (Jankowicz, 1992).

However, constructivists argue that positivism fails to provide the basis for a universal scheme of fundamental descriptive laws from which predictions could be made (Hart, 1998). Constructivists assume that what is 'real' is a construction in the minds of individuals (Lincoln and Guba, 1985: 83), and that 'truth' is not easily determined (Jankowicz, 1998). From this stance, there are no ultimate, timeless, pre-descriptive, non-social descriptions of reality (Moir, 1998). Constructivists emphasise description rather than explanation and the emergence of concepts from data rather than their imposition in terms of a *priori* theory as well as the use of qualitative methodologies for research (Henwood and Pidgeon in Hammersley, 1993:16). Also, they emphasise the pluralistic and plastic character of reality – pluralistic in the sense that reality is expressible in a variety of symbol and language systems; plastic in the sense that reality is stretched and shaped to fit purposeful claim that, contrary to common-sense, there is no unique 'real world' that pre-exists and is independent of human mental activity and human symbolic language (Schwandt, 1994). However, constructivism is not without its critics. In particular, constructivists are not likely to hold that there are unquestioned foundations for any interpretation. Also, no sharp distinction can be drawn between accounts of the world and those doing the accounting (Schwandt in Denzin and Lincoln, 1994). Moreover, although constructivism can lead to studies with 'thick description', attempts to 'describe everything' in the research may lead to an impossible undertaking in practice (Yin in Bickman and Rog, 1998).

Between the above two poles, post-positivism represents efforts to respond in a limited way, that is, while remaining within essentially the same set of basic beliefs, to the most serious criticism of positivism. From an epistemological standpoint, post-positivists are realists in the same way as positivists. Consequently it is believed that a single reality exists and phenomena can be directly observed and measured (Guba and Lincoln, 1994; May, 1997, etc.). Positivism has an ontology of absolute realism whereas the ontology of critical realism is central to post-positivism (Guba and Lincoln, 1994; Trochim, 1999). Where positivism and post-positivism depart is that the former automatically assumes that unbiased and objective techniques expose the 'truth'. Post-positivists, as critical realists, are sceptical about the ability to discover the 'truth' with any certainty, as observations and theories are open to error (Trochim, 1999). Post-positivists in particular reject the view that human behaviour can be explained without examining meaning and interpretation, and consequently the suitability of statistical measurement alone may be questioned (Sayer, 2000). According to post-positivism, reality is assumed to exist but to be only imperfectly apprehensible because of basically flawed human intellectual mechanisms and the fundamentally intractable nature of phenomena. Dualism is largely abandoned as it is not possible to maintain. Emphasis is placed on a refurbished version of triangulation (Guba and Lincoln, 1994). Although triangulation is often used to reduce the probability of error, it will not eliminate it (Sayer, 2000).

Another key area of departure between positivism and post-positivism is how social research is conducted. Like positivism, post-positivism assumes that the interviewer is objective (Tashakkori and Teddlie, 1998). However, post-positivists believe that researchers are inherently biased by culture and personal experiences (Trochim,

1999). Consequently critical realists acknowledge the importance of meaning (Sayer, 2000). Interpretation and meaning are dependent on context of communication and interaction (Sayer, 2000). Therefore, critical realism shares the interpretative philosophy of subjectivistists; nevertheless unlike constructivists, post-positivists reject the relativist notion of incommensurability of different perspectives (Trochim, 1999). Post-positivists accept researchers' biases impact on the data but not in the sense of 'creating data'.

Post-positivism assumes that the positivist and constructivist paradigms are compatible (Sayer, 2000). Post-positivism is not merely extension of positivism but is a distinct methodological approach in its own right, which rejects many of the central tenets of positivism (Trochim, 1999). Post-positivism has implications for the research process, since mixed methods are encouraged in order to minimise the concern of the accuracy of measurement and the fallibility of any one technique through triangulation (Tashakkori and Teddlie, 1998).

In relating to the above debates, an understanding of the distinction between quantitative and qualitative research is also important in alerting us to the fact that there are competing claims regarding what constitutes warrantable knowledge (Henwood and Pidgeon in Hammersley, 1993). Thus, the following section turns to examining both qualitative and quantitative paradigms.

### **3.2.3 Qualitative versus Quantitative Paradigm**

Quantitative research designs have often been based on the methods of natural science. Some key theoretical principles of quantitative research are: reality is objective, i.e. there is one reality in nature, one truth; explanation is restricted purely to positive phenomena; and the logical form of a theory is deductive (Sarantakos, 1998: 41-42). Especially to a positivist, quantitative evidence appears to be both precise and 'hard' because it deals with numbers. However, the value of the numbers depends both upon the assumptions under which they are produced or calculated and on the way in which they are interpreted (Remenyi, 1998:127). In a practical term, quantification - the sum of standardisation, measurement and number - is crucial to the natural science approach, because it renders the concepts embedded in theoretical schemes or hypotheses observable, manipulable and testable. It is also taken to be a necessary condition for the findings of research to be replicable and generalisable (Henwood and Pidgeon in Hammersley, 1993). For quantitative research, the validity and reliability of the data must be considered, such as specifying a sample size sufficient to perform the statistical analysis necessary to answer the research question (Kelly, 1998:113). Attainment of validity is one of the basic principles of social research. Validity in quantitative research means the ability to produce accurate results and to measure what is supposed to be measured (Sarantakos, 1998). One of the most important qualities of quantitative research is the requirement that the sample employed reflects the attributes of the target population, the findings it produces relate to the whole population, and the conclusion drawn through the study are pertinent to the whole population. This attribute of social research is referred to as representativeness. In general, the higher the



representativeness, the higher the generalisability of the findings and therefore, the higher the quality of the study (Sarantakos, 1998:26).

However, qualitative researchers often argue that a dependence on purely quantitative methods may neglect the social and cultural construction of the 'variables' which quantitative research seeks to correlate (Silverman, 2000:5). Unlike positivist methodology the aim of qualitative research is not to uncover the 'facts' but to offer an interpretation of participants' meanings, understandings and experiences (Sarantakos, 1998). Qualitative research is premised on the view that there may be alternative interpretations, or that different contexts may yield different outcomes. Thus, reality can not be defined objectively but subjectively. The perceived value of qualitative research has been increased, because the qualitative research allows theory development to be pursued following an inductive process in a highly effective and economical manner (Hammersley and Atkinson, 1983; Maxwell, 1998). Qualitative researchers often study only a single setting or a small number of individuals or sites, using theoretical or purposeful rather than probability sampling (Maxwell, 1998). Thus, they are able to understand how events, actions, and meanings are shaped in the unique circumstances in which these occur.

There is an argument in the literature that qualitative research does not provide as high a reliability as does quantitative research (Sarantakos, 1998). The validation of such research is based upon the way in which it gives coherence to participants meanings and experiences, and can include the researcher's own understandings (Moir, 1998). Therefore, qualitative researchers may increasingly be expected to demonstrate rigour in terms of the reliability and validity of their findings (Kelly, 1998:113). They aim

to achieve validity, which they consider to be a strength of their research, and are also interested in achieving reliability, which refers to the ability to produce consistent results. Reliability can be affected by factors associated with the researcher, the respondents and the conditions of the study. One way of approaching this is through attempting to use a variety of methods and multiple data sources in order to provide a richer insight, so called 'triangulation' (Maxwell in Bickman and Rog, 1998). Both Yin (1998) and Maxwell (1998) stressed the importance of triangulation in qualitative research design, ethnography (also see Walsh, 1998) and case study research (also see Yin, 1984, 1993). Bickman and Rog (1998) suggested using multiple data collection methods on all types of applied research. This is, we would be more confident in saying that the event actually had occurred if our study showed that information from multiple methods and resources all pointed in the same direction (Yin, 1993).

Meanwhile, Hammersley (1993: 27) addressed the question of the extent to which findings from a particular study could be said to have a more general significance is important in science. The value of a qualitative study may depend on its lack of generalisability in the sense of being representative of a large population. The generalisability of qualitative studies is usually based not on explicit sampling of some defined population to which the results can be extended, but on the development of a theory that can be extended to other cases (Maxwell, 1998, Yin, 1993). For this reason, Lincoln and Guba (1985) preferred to talk of transferability, rather than generalisability, of findings, where sampling decisions had not been made on statistical grounds. This term places a special onus on the qualitative researcher to fully report on the contextual features of a study.

Despite the main differences between the above qualitative/quantitative approaches lying in the nature of their data, and in methods for collecting and analysing data, Punch (1998) argued that these differences would not obscure the similarities in logic, which made combining the approaches possible. Taking this point further, both types of data can be productive for descriptive, exploratory, inductive, opening up purposes, and both can be productive for explanatory, confirmatory, hypothesis-testing purposes (Miles and Huberman, 1994: 42). Therefore, researchers are encouraged not to be restricted to stereotypes in their thinking about the purposes of the two approaches. Each approach can be used for various purposes.

In many methodology textbooks, however, qualitative research is often treated as a relatively minor methodology. As such, it is suggested that it should only be contemplated at early or 'exploratory' stages of a study (Silverman, 2000). Viewed from this perspective, qualitative research can be used to familiarise oneself with a setting before the serious sampling and counting begins.

More specifically, data can be subdivided into quantitative and qualitative. Quantitative data are information about the world in numerical form, whereas qualitative data are information about the world in the form of words (Punch, 1998). Quantitative data are necessarily structured in terms of the number system, and reflect researcher-imposed constructs. Qualitative data are data that cannot readily be converted to numerical values. Such data can be represented by categorical data, by perceptual and attitudinal dimensions not readily converted to numerical values, and by real-life events. The basic differences between the two types of data lies in the process of measurement, which has

often engendered rigid positions about research, and which has been at the centre of debates between proponents of the two approaches (Punch, 1998: 61).

### 3.2.4 Summary

According to the above descriptions, Table 3.1 below provides a summary of the differing underlying assumptions behind positivism, post-positivism and constructivism.

**Table 3.1: Assumptions of Positivism, Post-positivism and Constructivism, in Association with Quantitative and Qualitative Paradigms**

Issue	Positivism	Post-positivism	Constructivism
Ontological Position	<ul style="list-style-type: none"> <li>• Single reality, absolute truth</li> </ul>	<ul style="list-style-type: none"> <li>• Critical realists, so no absolute truth but probabilistic truth</li> </ul>	<ul style="list-style-type: none"> <li>• Reality is socially constructed; Multiple realities; Individuals own reality</li> </ul>
Epistemological Position	<ul style="list-style-type: none"> <li>• Research is objective and value free</li> <li>• Researcher is independent from what is being researched</li> <li>• Researcher attempts to reveal or uncover the facts of the matter</li> </ul>	<ul style="list-style-type: none"> <li>• Accepts researcher's biases impacts on the research data but not in the sense of creating the data</li> <li>• Researcher is sceptical about ability to discover the 'truth' with any certainty, as observations and theories are open to error</li> </ul>	<ul style="list-style-type: none"> <li>• Researcher is part of the data creation process and is not detached</li> <li>• Researcher interacts with which is being researched</li> <li>• Researcher attempts to offer interpretation of the meanings, understandings and experiences</li> </ul>
Methodological Position	<ul style="list-style-type: none"> <li>• Mainly Quantitative</li> <li>• Context free</li> </ul>	<ul style="list-style-type: none"> <li>• Quantitative / Qualitative</li> <li>• Importance of context</li> </ul>	<ul style="list-style-type: none"> <li>• Mainly Qualitative</li> <li>• Context bound</li> </ul>

	<ul style="list-style-type: none"> <li>• Deductive</li> <li>• Based on large, probability samples and statistical analysing</li> <li>• Generalisations leading to predictions, explanations and understanding</li> </ul>	<ul style="list-style-type: none"> <li>• Deductive / Inductive</li> <li>• Multiple methodology and triangulation to reduce the fallibility of measurement</li> </ul>	<ul style="list-style-type: none"> <li>• Inductive</li> <li>• Based on small, non-probability samples or in-depth single cases</li> <li>• Accurate and reliable through verification</li> </ul>
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A methodology cannot be true or false, only more or less useful (Silverman, 1993:2).

Qualitative research is characterised as being ‘soft’ social science, interested in ‘mushy’ processes, and dealing with inadequate evidence. Quantitative research is considered hard-nosed, data-driven, outcome-oriented and truly scientific (Yin, 1993: 57).

Therefore, positivists will favour quantitative methods and constructivists often prefer to gather their data by qualitative approaches. Meanwhile, positivists may sometimes use qualitative methods, constructivists may equally sometimes use simple quantitative methods (Silverman, 1993). Post-positivists believed that the approach of triangulation, combining both qualitative and quantitative methods and data sources, may lead to a satisfactory result (e.g. Remenyi, 1995; Tashakkori and Teddlie, 1998).

On the basis of an understanding of the epistemological and methodological debates, and an awareness of the strengths and weaknesses of both qualitative and quantitative paradigms, the following section turns to clarifying the chosen methodological stance for the whole research, and setting out the general research procedure.

### **3.3 The General Research Process**

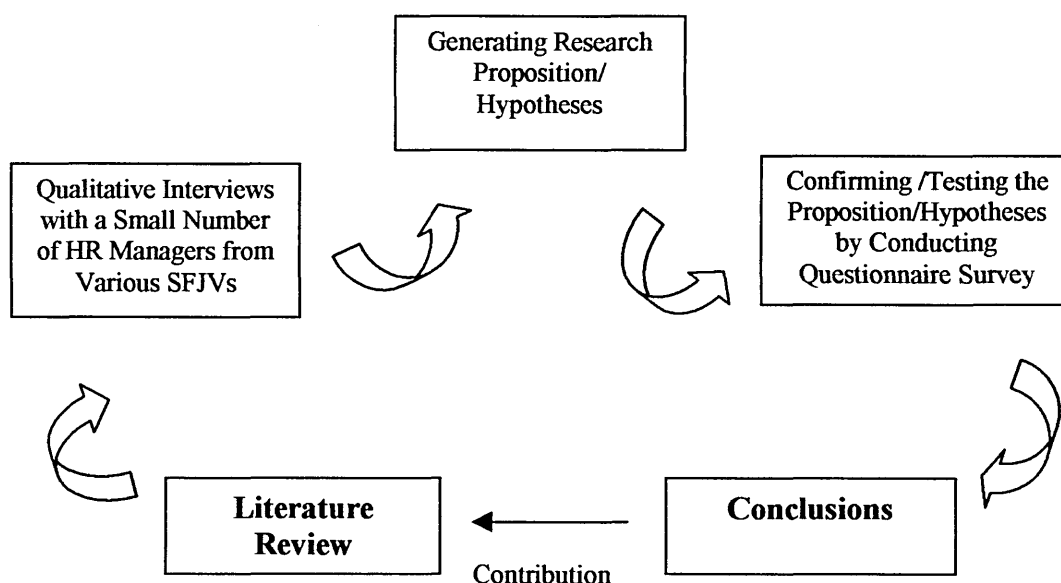
This research plan contains the strategic research process, methodologies adopted and methods employed in the study for data generation, collection and analysis.

By inclination, the multiple case-study approach was initially considered according to the research objectives and based on the strengths of post-positivism methodology. The practical advantages of multiple case-studies are their ability to deal with contextual conditions and strengthen or broaden the analytic generalisation (Osland and Cavusgil, 1998; Yin, 1993). Also case studies allow one to target multiple responses within and across cases, and thus may provide in-depth information to address the research problems (Maxwell, 1998). Moreover, based on case-study research strategy, ethnography, through participant observation of the social and cultural worlds, coupled with interviewing and documentation, opens out the possibility of an understanding of reality which no other method can realise (Walsh, 1998: 232). However, gaining access to carry out case study within China based SFJVs proved practically challenging (Glover and Siu, 2000). During the July and August 2000, significant effort had been made to conduct multiple case studies. In the late August 2000, however, the author was still unable to gain access to even a single sample. An important skill in becoming a social researcher is the ability to weigh up the practical value and methodological limitations of particular methods in social research (Williams in May, 1997:108). Therefore, an alternative choice had to be made in order to progress the research.

Based on the above discussions as a whole, the general research process is set out in the

Figure 3.1. Following the induction/deduction strategic process, the general research approach is to use both qualitative enquiry and quantitative survey on the basis of the literature in this field.

**Figure 3.1 The Inductive/deductive Strategic Research Process**



In this thesis, the qualitative and quantitative methods were not treated equally, since the research was essentially relying on quantitative method. In this connection, the philosophical underpinning of this research is generally positivism. The limitations of positivism methodology will be further addressed in Section 7.4 in Chapter 7.

It is further required to engage in a more general consideration of the relevance and usefulness of the work. Such a consideration would bring the author into touch with four related concepts: significance, generalisability, reliability and validity (Blaxter et al. 1996: 199-200). Issues of verification do not belong to some separate stages of an

investigation, but must be addressed throughout the entire research process (Kvale, 1996). Thus, the author has developed the practical tactics throughout the research process, from the design for investigations, collection of data, data analysis, to reporting of the results, in order to enhance the quality of the empirical research in this light.

The following section turns to discussing the choice of methods to collect and analyse primary data in order to obtain the fruitful results.

### **3.4. The Research Methods**

#### **3.4.1 Introduction**

Methods are specific research techniques which take on a specific meaning according to the methodology in which they are used, including interviewing, questionnaires survey, observation, and so on (Dixon et al. 1992). The aim of all methods is to obtain valid and reliable data which can be used as the basis for credible conclusions (Blaxter et al., 1996). However, there is no single best way of collecting data, thus Bickman and Rog's (1998) suggested using methods that fit the research question, context, and resources at hand. Meanwhile, most research objectives can be researched by using more than one technique (Dixon et al., 1992).

Table 3.2 below presents a number of samples from previous research on SFJVs in choosing research methods and coping with some practical difficulties. All their



experience and lessons provide the guidance for the researcher to conduct such empirical research.

**Table 3.2: The Samples of Relevant Previous Research Relating to Research Methodology**

Authors	Methods	Location	Number of Responses	Sampling Approaches
Ding et al. (1997)	Questionnaire Survey	Shen Zhen City – Special Economic development zone	158	Random Sampling. The Shen Zhen Municipal Trade Union provided powerful assistance in distributing (300) and obtaining questionnaires (158).
Lu and Bjorkman (1997)	Questionnaire Survey, Coupled with Interviews	Data were gathered during 13 months from 65 SFJVs, mainly located in the coastal areas.	65	Non-probability Sampling
Goodall and Warner (1997)	Case Study, coupled with Interviews	The researchers spent near one year to collect the data in Beijing and Shanghai.	7 SFJVs + 8 SOEs	A Chinese partner university arranged the access to these sites through its graduates' network.
Glover and Siu (2000)	Case Study, coupled with interviews; Taped record was not allowed	Shanghai	2 SFJVs	Access was allowed as a result of the authors' personal contacts with the expatriate managers.

The above table shows that both the survey and the interview were often used as methods for collecting data in studying HRM practices in China. The survey conclusions were often drawn up based on the individual perceptions of managers from the sampled firms. But it was a challenge to conduct a random sampling in practice

and it was very difficult to access cases to collect first-hand data without special supports. Also, a nation-wide research in this area seemed to be almost impossible. Keeping both these theoretical and practical issues in mind, the researcher then began the investigation.

In order to address the research problem by generating the research proposition/hypotheses on the basis of the literature review, the first part of the empirical research was qualitative and based on qualitative interviews with a small number of Chinese HR managers from various SFJVs, who had extensive knowledge and experience about the HRM policies and practices in their ventures. During the investigation, the researcher had also tried to access their internal documentary evidence in conjunction with interviews, because information contained in the documents may not be available in spoken form, and also such texts endure and thus give historical insights (Hodder, 1998, Yin, 1998). As a complementary method for data collection, in particular, documents are extremely important for corroborating and augmenting evidence from other sources (Yin, 1998: 246-247). However, it was almost impossible to be allowed to reach many HR-related documents, such as pay policy, individual labour contract, performance appraisal results and so on. Thus, the documentation could not be treated as a reliable method in this study, but it might still be helpful to conduct such an investigation.

The questionnaire survey has been recognised as one of the most common ways of hypotheses verification (Gill and Johnson, 1997; Easterby-Smith et al. 1991). Thus, the second part of the study was quantitative and questionnaire-based, allowing one to examine these emergent themes from the qualitative investigation more

systematically in order to test these hypotheses on the basis of a much wider coverage.

Therefore, following an inductive/deductive strategic research process, this section begins with qualitative study, and then moves on to the second part, i.e. the questionnaire survey, coupled with verification of the methods adopted. The qualitative and quantitative approaches are both presented following the process: the design, pilot work, sampling, data collection and data analysis.

### **3.4.2 Interviews - the Qualitative Study**

There is a strongly inductive bent to this kind of research. The interview is probably the most commonly used method in social research. It consists of three interacting variables: the respondent, the interviewer, and the interview schedule. Each of these, as well as the interview situation, can have an important influence on the results (Seale, 1998). Therefore, the interview must be designed well and conducted carefully to enhance validity and reliability of data collected. The section describes and justifies the interview method in a more detailed way.

#### **Designing the Qualitative Interviews**

##### **Purpose of the Interviews**

The purpose of the exploratory interviews is to develop ideas and research hypotheses rather than to gather facts and statistics (Oppenheim, 1992). The emphasis of

qualitative interviews is on obtaining in-depth information (Seale, 1998). It is concerned with trying to understand how Chinese HR managers / professionals think and feel about the topics of concern to the research. Therefore, the qualitative interviews with a small number of key informants (Kvale, 1996) were conducted to develop the research proposition/hypotheses concerning the HRM development in SFJVs.

### Types of Interviews

The label 'qualitative interview' has been used to describe a broad range of different types of interviews; that is, the extent to which the researcher controls the nature of the interaction: open-ended interviews allow the informant to talk at length on a particular theme but without a set series of questions; semi-structured interviews are based on a series of topics that the interviewer wishes to be addressed during the course of the interview; structured interviews are based on a series of specific questions that are asked of a respondent (Moir, 1998, Seale, 1998). The open-ended questions can avoid bias and allow the interviewees to speak unprompted. However, Silverman (1993) argued that this notion was naive, and with non-directive questioning it may be difficult for the interviewee to interpret what is relevant, moreover, it may actually inhibit individuals from speaking. Also, unstructured interviews could be extremely time-consuming since there are no fixed questions. In this research, it was unrealistic to expect these busy managers to spend a long time to talk with a outside researcher. Furthermore, this empirical research was not designed to cover all relevant issues associated with investigated SFJVs, i.e. the study was selective (Yin, 1998). Semi-structured interviews were conducted focusing on specific research areas, but the

interviews were still of an open-ended nature (Oppenheim, 1992; Silverman, 1993). Thus, the interviewees were considered as informants, and not merely respondents (Yin, 1998).

### Interview Guide and Questions

The semi-structured interview has a sequence of themes to be covered as well as suggested questions. The interview guide indicates the topics and the relevant questions and their sequence, which is helpful to focus on the topics, ask questions from different angles in order to collect rich information, manage time efficiently and effectively, and so on (Kvale, 1996).

Each interview question can be evaluated with respect to both a thematic and a dynamic dimension: thematically with regard to its relevance for the research theme, and dynamically with regard to the interpersonal relationship in the interview. A good interview question should contribute thematically to knowledge production and dynamically to promoting a good interview interaction (Kvale, 1996: 129). The interview questions should be brief and simple. Interviewers who know what they are asking about, and why they are asking, will attempt to clarify the meanings relevant to the project during the interview, obtaining a disambiguation of the statements made, and thereby provide a more trustworthy point of departure for the later analysis (Kvale, 1996: 132). The outline of interview questions is included in Appendix 1, which had been prepared in advance before selecting a sample for the qualitative study.

## **Sampling**

Quantitative researchers often equate sampling with probability sampling with a statistical generalisation, but qualitative researchers must characteristically think purposively and conceptually about sampling (Seale, 1998). Ideally, one uses theoretical sampling to develop a strategy for data collection (Glaser and Strauss, 1968: 45). Such sampling choice evolves through successive waves of data collection, and requires only collecting data on categories, for the generation of properties and hypotheses. The adequate theoretical sampling is judged on the basis of how widely and diversely the analyst chose his groups for saturating categories according to the types of theory he wished to develop (Glaser and Strauss, 1968). However, the ideal form of theoretical sampling might be difficult to carry out if a researcher does not have unlimited access to persons or sites or does not know where to go to maximise similarities and differences (Strauss and Corbin, 1998: 203).

Thus, many qualitative researchers employ purposive sampling methods. They seek out groups, settings and individuals where the processes being studied are most likely to occur (Denzin and Lincoln, 1994). Purposive sampling allows researchers to choose cases because they illustrate some features in which the researchers are interested. It demands that they think critically about the parameters of the populations (Denzin and Lincoln, 1994).

Meanwhile, there is a practical concern about convenience and accessibility in the selection of the small number of cases. Thus, the following practical concerns have to be considered:

- In practice, access is a main concern for successfully conducting the primary research in China. The personal ‘Guanxi’ is often used to select and access to the cases (Glover and Siu, 2000).
- Although the investors from Tai Wan, Hong Kong and Macao were often treated as ‘foreign’ partners in the mainland of China, people in the above ‘special regions’ have extremely similar cultural roots, particularly relating to the influence of Confucianism. Therefore, this group was excluded from the samples.
- Beijing was chosen as the primary research setting according to the following practical considerations:
  - It seems to be unrealistic to collect data from the whole area of China based on the current resources;
  - As the Capital city of China, which is also the centre of culture and one of the key economic centres, Beijing has attracted one of the largest amount of inward foreign investment in China and contains large collection of foreign-funded enterprises (Child and Stewart, 1997; Glaiser and Wang, 1993);
  - The presence and influence of government bureaucracy remain strong in Beijing (Child and Stewart, 1997).
  - Beijing has a longer heritage of high education than do other cities (Child and Stewart, 1997) and the labour market has been emerging quickly (Warner, 1997, 1999).
  - The researcher is originally from Beijing. Therefore, the personal ‘Guanxi’ and local knowledge was helpful to collect data from various SFJVs.
- The sampled SFJVs were selected as ventures which have only two partners, one from the local, another from a foreign country.

- The sampled SFJVs (including both manufacturers and service companies) were operating in the various market sections, but located in the same region.

There is no ideal number of selected cases. The decision regarding the number of cases depends on accessibility, available resources, research objective, etc. (Eisenhardt, 1989). In current interview studies, the number of interviews tended to be around  $15 \pm 10$  (Kvale, 1996: 102).

Based on the above both theoretical considerations and practical concerns, 10 HR managers from 10 SFJVs in Beijing region had been finally selected and then successfully interviewed. The background of these informants is included in Appendix 3, and the Appendix 2 presents their companies' profile. Before conducting the formal interviews, the interview questions had been pilot-tested, which is described in the following section.

### **Pilot Interviews**

Pilot interviews were conducted to generally test types of questions, order of questions as well as number of questions (Remenyi, et al. 1998), although the order may not be strictly followed in such a qualitative interview. In addition, the pilot interviews were also very helpful to improve researchers' practical skills and professional knowledge, and then to enhance the quality of the research (Kvale, 1996).

Before going to the work site, the researcher had conducted interviews with three Chinese MBA graduates at Dundee Business School. In addition, the first field



interview was also treated as the 'pilot' work. These interviewees were asked to evaluate the topics, questions, and ways of conducting interviews.

During the pilot interviews, I had tried to reduce my own role to an absolute minimum, to avoid leading the respondents. However, as discussed earlier, the researcher also met the problem that the interviewees were often reluctant to answer any open questions partly due to a time concern. Only on specific interesting topics or questions, some people felt freely to talk more themselves. Thus, the semi-structured interviews have been proved to be a right choice. Based on the results of the pilot interviews, the researcher could determine whether the planned timeline was feasible, and whether or not the interviews were appropriate and effective, and then made some adjustments. The pilot interviews also indicated that the selected topics were of really practical interests to Chinese practitioners.

### **Conducting Semi-Structured Interviews**

On the basis of above careful design and the pilot work, the researcher conducted semi-structured interviews with ten HR managers from various SFJVs in Beijing during the period between November 1999 and February 2000. The successful interviews were mainly dependent on the accessibility, and the personal network was helpful to reach these 'informants'.

The interview format was mainly consistent for all participants. I firstly introduced myself, the purpose of the interview and the research topic, asked interviewees if they had any questions or concerns, and requested permission to tape-record the session.

Confidentiality was particularly discussed before asking interview questions. These interviews averaged 80 minutes in length. All interviews were taped with the interviewee's permission for the later transcription and data analysis. Using a semi-structured approach still allowed flexibility for specific topics to be explored in greater depth in different interviews, subject to interesting topics, respondents' reaction, time available and so on (Seale, 1998).

The following section then turns to describing how qualitative data were analysed and interpreted.

### **Analysing Interviews**

The final step in the qualitative analysis is a systematic analysis of the qualitative interview data. The techniques of analysis are tools, useful for some purposes, relevant for some types of interviews and suited for some researchers (Kvale, 1996: 187). This section describes how typed interviews were transcribed and analysed to depict the description and interpretation of themes in the material.

### **Interviews Transcription**

Transcribing the interview from an oral to a written mode is the beginning of the analysis. The amount and form of transcribing depends on such factors as the nature of the materials and the purpose of the investigation, the time and money available, as well as the availability of a reliable and patient typist (Kvale, 1996).

The analysis took place through listening to repeated replaying of the tapes, and then I typed all interviews myself in order to keep a certain linguistic style (see Silverman, 2000). Since interview data were collected in Chinese, the interviews were transcribed in Chinese, and then coded and analysed in English. The transcription of the ten interviews, which were print out with a large space on the right-hand side of each paper for later coding, came to 171 pages, containing 2,900 lines and about 32,000 Chinese characters. The amount of such data seems to be mountainous. Therefore, one purpose of data analysis is to reduce this, by excluding irrelevant material, and grouping together things that are similar (Kvale, 1996).

### Approaches to Analysing Interview Data

When the qualitative data are being analysed, researchers sometimes spend a great deal of time and effort to change the data into numbers, thus quantifying them. While some believe that this quantification lends more credibility to their findings, other argued that this action spoils the richness of the qualitative data, and fails to give the important holistic views (Easterby-Smith et al., 1991). This debate leads to two basic type of qualitative data analysis: content analysis and grounded theory approaches (Easterby-Smith et al., 1991, May, 1993, Strauss and Corbin, 1998). Content analysis is a systematic way of analysing qualitative data by counting the occurrence of certain key words and phrases that appeared in the data. The frequencies are then analysed (Easterby-Smith et al. 1991). The central aim is to render issues of interpretation as controllable and non-contentious as possible in order to move quickly on to the more 'scientific' process of counting things (Slater in Seale, 1998: 235). Furthermore, meaning categorisation (Kvale, 1996: 196 – 199) implies that the interview is coded

into categories. Categorisation can reduce and structure a large text into a few tables and figures. The categories can be developed in advance or they can arise ad hoc during the analysis. Categorisation is in line with, but not limited to, a positivist emphasis on quantification of focus in the social sciences.

Grounded theory, on the other hand, provides a more open approach to qualitative data analysis. With grounded theory approach, researchers go by feel and intuition, theory created or discovered through observation of particular cases (Glaser and Strauss, 1967; Silverman, 2000: 152; Strauss and Corbin, 1998). However, it has been criticised as very time consuming, if it is to be conducted properly to give convincing results (Easterby-Smith, 1991). In practice, the 'saturation' is largely dependent on the accessibility to as many as possible cases.

Content analysis and grounded theory seem to be opposite in almost every way. More constructively, however, they could be construed as complementary (Slater in Seale, 1998:244). Miles and Huberman (1984) therefore suggested analysing qualitative data by adopting an approach which came halfway between content analysis and grounded theory. This seemed to be consistent with assumptions of post-positivism as discussed earlier. Also, the researcher was of course more concerned with the practicalities of doing such a qualitative analysis. Thus the researcher had tried to combine the rigour of content analysis with the depth and 'analytic power' (Strauss and Corbin, 1998) of grounded theory.

## Steps of Analysis

Since the translation from Chinese into English may cause unexpected inconsistency between the two versions, 'Nudist' (Gahan and Hannibal, 1998; Silverman, 2000), as one of popular professional software, was not helpful for me to deal with Chinese words and sentences. Thus, although it was very time consuming, ten interview transcripts were searched manually for key themes and their relations.

Conceptualising data involves breaking down the data into discrete bits. These bits are closely studied and compared to each other to understand how they are similar and different and each discrete idea, event, interaction, incident is given a name. This name is a conceptual name and it represents a phenomenon (Gahan and Hannibal, 1998: 54). The conceptual name should be suggested by the context in which an event is located (Struss and Corbin, 1998). This is to say, all names reflect both the intention of the researcher and the data. As the researcher continued with the data analysis, if the research came across another object, event, act or happening with some common characteristics with an object or a happening, the researcher gave it the same name, that is, placed it into the same code in English.

Initial coding consists of reading through material and identifying where themes of particular interest are illustrated by data (Seale and Kelly in Seale, 1998: 154). To gain greater understanding, it was suggested that researchers went through careful scrutiny of data, line by line (Strauss and Corbin, 1998: 71). Accordingly, the transcripts were printed out with a large space on the right-hand side of the paper, enabling the researcher to write in code words in English that identified particular groups of lines

as being about a particular topic. Every line of the transcripts was numbered in each page. It was certainly necessary to do this detailed type of analysis at the beginning of a research project to discover categories and to uncover the relationships among concepts. However, this did not mean that a researcher steadily codes every bit of data, word by word or phrase by phrase, in each transcript. Rather, the researcher learnt to scan these raw materials, looking for potentially interesting or relevant analytic information (Strauss and Corbin, 1998). Coding thus broke the materials down into manageable chunks ready for analysis. The test codes (Seale and Kelly in Seale, 1998: 162) were used rather than numerical ones. There was a continual coding and recording of the transcriptions, as the insight grows during the research.

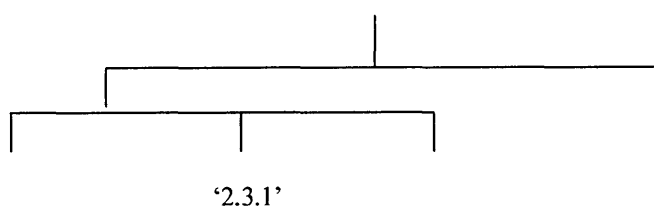
During transcribing the interviews, the researcher also wrote down 'memos' and 'surprising issues' for the later data analysis. Memos and diagrams might be helpful for the researcher to work with concepts rather than with raw data. The usual function of memos was to serve as reminders or sources of information. They were meant to be analytical and conceptual rather than descriptive. Diagrams were visual rather than written memos. Both of them are devices that depicted the relationships among concepts. They were important ways of keeping records of analysis (Strauss and Corbin, 1998; Gahan and Hannibal, 1998).

Coding data according to some theoretical scheme should only be the first stage of the data analysis. The researchers need to go on to examine how these elements are linked together, not just a listing of themes (Silverman, 2000). Thus, once many relevant concepts had been identified, the researcher needed to group concepts into categories in order to reduce the number of units. Categories have 'analytic power' (Strauss and

Corbin, 1998: 113) because they have the potential to explain and predict. Categories are more abstract higher order concepts that stand for phenomena. The categorisation made it possible to investigate both similarities and differences within and across cases as well as along the dimensions of the categories. They could usually be further developed in terms of subcategories (Gahan and Hannibal, 1998: 57). A subcategory was also a category, giving the concept greater explanatory power (Strauss and Corbin, 1998: 125).

Categories could be integrated and refined in order to formulate hypotheses expressing relational statements. Relational statements are interpreted abstractions and not the descriptive details of raw data, they are ‘constructed’ out of data by the researcher (Strauss and Corbin, 1998: 145). Meanwhile, several techniques had been used to facilitate the integration process. These included using diagrams, sorting and reviewing memos, and so on. The outcome of using the techniques could be in words, in numbers, in figures and flow charts, and in their combinations (Kvale, 1996: 193). A good storage and retrieval system is critical for keeping track of what data are available for flexible and reliable use of data (Huberman and Miles, 1994: 431). The hierarchical tree, as an index system, could look as in Figure 3.2 below.

**Figure 3.2: The Index System to Store and Organise the Qualitative Data**



The first level of coding was principally determined by themes of the research, for example, HRM activities, or contextual factors. Subsequent divisions of these themes were mainly generated from the qualitative data, such as competence of local managers and some were developed in advance according to the existing literature and research objectives, such as recruitment and selection. The '2-3-1' as an example indicates that the theme was emerged or confirmed from case 2, page 3 and line 1. This could be used to retrieve data by a linkage between the conceptual network and coded segments of data in the transcripts.

Before moving to discuss the quantitative methods, it is important to verify the above qualitative study in order to enhance the quality of the first part of the research. Thus the following section critically evaluates the qualitative study.

### **Verification of the Qualitative Research**

Issues of verification do not belong to some separate stages of an investigation, but should be addressed throughout the entire research process (Kavle, 1996; Silverman, 1993). Reliability pertains to the consistency of the research findings. Interviewer reliability was in particular pointed out in relation to leading questions which may inadvertently influence the answers. Although increasing the reliability of the interview findings is desirable in order to counteract haphazard subjectivity, a strong emphasis on reliability may counteract creative innovations and variability (Kvale, 1996: 235-236). Validity here pertains to the trustworthiness of the subject's reports and the quality of the interviewing itself, which should include a careful questioning as to the meaning of



what is said, and a continual checking of the information obtained (Kvale, 1996: 236).

Regarding the value of interview data, positivists believe that interviews based upon pre-tested, standardised questions are a way of increasing the reliability of research (Oppenheim, 1992). However, constructivists argue that it is more appropriate to engage in systematic observation before any interviewing takes place. Also interviews are concerned with symbolic interactionism, and individuals may interpret information and language in different ways (Silverman, 1993). Furthermore, due to the importance of the interaction between the interviewer and interviewee both parties become part of research, whereas in positivism the emphasis is only on the interviewee and their responses (Tashakkori and Teddlie, 1998; Silverman, 1993). The emphasis in qualitative interviews is on allowing the respondents to say how they see things, in their own words in order to generate research hypotheses. Although the interviews can be used in both qualitative and quantitative methodologies, interview study highlights the advantages of qualitative research in offering an apparently 'deeper' picture than the variable-based correlations of quantitative studies (Silverman, 1993). The researcher can use an interview to find out about things that can not be seen or heard, such as the interviewee's inner state - the reasoning behind their actions, and their feelings (Seale, 1998-2). The interviewer can make sure that the respondent has understood the purpose of the research (Oppenheim, 1992). In addition, the interview is more economical than observational methods.

However, personal accounts are not merely representations or descriptions of the world, as individuals are also part of that world and cultural norms and interpretations may differ (Silverman, 1993). This may lead to misunderstandings and different

interpretations between interviewee and interviewer. Such problems may in particular cause a low validity of the research when foreign researchers interviewed Chinese people through an interpreter. More specifically, interviews can be subject to problems of bias, poor recall, and poor or inaccurate articulation (Maxwell, 1997; Yin, 1984). These fears of bias are reflected in constructivist concerns about how informants may distort social reality or conceal what the interviewer most wants to know (Hammersley and Atkinson, 1983). In addition, the problems of the 'cultural bias' (Wright, 1996: 74-76) may be raised during such an international management research. The researchers must put these weaknesses into accounts and try to reduce the limitations to enhance applicability of this method.

In essence, the debates over the reliability and validity of qualitative research continue from the data collection stage into the data analysis stage. The principle is to ensure consistency and accuracy in the way the data are analysed (Kelly, 1998). The quality of transcriptions can be improved by clear instructions about the procedures and purposes of the transcriptions, preferably accompanied by a reliability check (Kvale, 1996). Ascertaining the validity of the interview transcripts is more complex than assuring their reliability. Correspondingly, the question "what is the correct transcription ?" can not be answered - there is no true, objective transformation from the oral to the written mode. Thus, a more constructive questions is: "what is a useful transcription for my research purposes ?" (see Kvale, 1996). The generated hypotheses have then been validated by comparing them to raw data or by presenting them to some of respondents for their reactions (Strauss and Corbin, 1998: 161). These respondents generally agreed with the statements regarding the four research proposition/hypotheses (see Section 4.3 in Chapter 4). Meanwhile, the major conclusions at this stage have been discussed

with supervisors and outsider experts, leading additional confidence in the results (Osland, 1994).

Following the inductive process, the qualitative study attempted to develop the research proposition/ hypotheses on the basis of the literature review. The following section then turns to describing and evaluating the quantitative research techniques which were adopted to confirm or test these research proposition/hypotheses.

### **3.4.3 Questionnaire Survey – The Quantitative Study**

There was a deductive bent to this part of research. Surveys have their origin in the positivistic tradition, though to describe surveys nowadays as ‘positivist’ is an oversimplification. Questionnaires do, however, lend themselves more to quantitative form of the research. This is partly because they are often used to collect mainly discrete items of information, either numbers or words which can be coded and represented as numbers. This emphasis is also partly due to the larger scale of many questionnaire surveys, and their common focus on representation, which encourages a numerical or quasi-numerical summary of the results (Baxter et al. 1996:193).

Nevertheless, surveys can set out to test theories (Easterby-Smith et al., 1991; May, 1997: 83). As a researcher, I could not simply walk up to someone at a SFJV and begin to ask the first questions, decisions must be made in advance about who the population are, how will they be sampled and what type of questionnaire should be used (Runcie, 1976:123-124).

As May (1997) suggested, a good survey research should follow a common process in testing a theory, including design, sampling, pilot study, administration of questionnaires, analysing survey data and verification of the study.

### **Questionnaire Design**

Survey research is predicated on a rigorous approach that aims to standardise the research process of questionnaire design, administration and analysis, and produce results that are replicable by following the same methods (May, 1997:84). The type of population, the nature of the research question and resources available will determine the type of questionnaire to be used. Meanwhile, the questions to be asked are determined by the objectives of this part of research. It is therefore important to be clear about the objectives before beginning questionnaire design (Williams in May, 1997: 89). In this study, the survey data were expected to provide evidence on questions of relevance to the research problems in order to test the four research proposition/hypotheses.

Normally, there are three types of questions in a questionnaire: open, closed and fixed-choice (i.e. pre-coded) questions (Seale and Filmer in Seale, 1998: 130). In total, this questionnaire contains 50 closed or fixed-choice questions from C1 to C50, and 2 open questions, which are categorised into 6 sections (see Appendix 4). The questionnaire primarily comprised previously often used five-point Likert type scales (see Remenyi, 1998). Most of the questions in the questionnaire could be answered by ticking the appropriate boxes. The last 2 open questions were asked to fill in either English or Chinese. Once the questionnaire was distributed to people for self-completion, the

researcher then had no understanding of the considerations which people made in answering a question. The layout, instructions and questions must therefore be simple, clear and unambiguous (Williams in May, 1997). The questionnaire might not be strictly designed 'logically', rather it was easier for people reading and filling in. Meanwhile, questions/statements were phrased to describe both favourable and unfavourable practices to offset any positive/negative response bias (Seale and Filmer in Seale, 1998).

In order to meet the research objectives, the questions/statements C6 -12 were designed to outline HRM-related managerial structure and labour resources. The questions/statements C13, 14 and C17 - 26 were relating to typical HRM activities, such as recruitment and selection, training, rewards, promotion, job rotation, performance appraisal. The questions/statements C15, 16 as well as C34, 35, 38, 39 concerned some specific Chinese characteristics, such as 'Dang An', 'Hu Kou', Chinese Trade Unions. In order to assess the respondents' perceptions regarding the corporate culture within the SFJVs, they were asked to indicate their level of agreement and disagreement (along a five-point Lickert scale) with the statements C30 - 32. The questions/statements C27 and C43 were used to examine the SFJV managers' general attitudes toward Western HRM and foreign managers, and C40 was designed to explore Chinese managers' professional knowledge skills to develop HRM practices in general. The statements C42, 44 linked the HRM with organisational performance. The questions/statements C28, 29, 33, 36, 37, 41 focused on the contextual influence at various levels. The section I and V which are containing 12 questions were designed to capture characteristics of respondents and their SFJVs in order to do statistical analysis (See Appendix 4).

A short covering letter explaining the purpose of the questionnaire, stressing the need for co-operation and the anonymity of replies was also prepared in both Chinese and English. Meanwhile, the following issues had been particularly highlighted in order to encourage people to fill in carefully and completely: 1) promise to keep data strictly confidential; 2) encourage respondents to answer the last two open questions; 3) remind respondents to fill in completely in order to avoid any missing data. The questionnaire was initially designed in English, and then was translated into Chinese. Such two versions of the questionnaire were carefully checked to ensure the consistence between each other.

## **Sampling**

Sampling is an important feature of the quantitative research. It is very important that the sample characteristics will be the same as those of the population. Then generalisation can take place from the sample to the population as a whole (Williams in May, 1997).

The ratio of sample size to population will depend on the level of statistical 'error' that is acceptable versus the resources available (Williams in May, 1997: 86). A rule of thumb is that the smaller the population the bigger the ratio of sample to population, while large populations permit smaller sampling ratios. It was reported in *China Daily* (20 December 2000) that there were about 4000 formal foreign-funded enterprises in Beijing region, including 1593 firms funded by investors from Hong Kong, Macao and Tai Wan. A majority of these firms were joint ventures. Except Hong Kong-, Tai

Wan- and Macao-funded joint ventures, the target population was estimated to be around 2000. From the previous qualitative study, it has been further confirmed that a majority of these ventures had employed Chinese HR managers. Thus, the researcher intended to collect data from no less than 100 Chinese HR managers from various SFJVs. The sample size was therefore around 5 % of the target population.

There are many types of sampling but all samples are either probability samples (often called random samples) or non-probability samples. Probability samples are so constructed that every element has a known probability or chance of selection and the limits of possible error are known in advance. Included in this category are simple random sampling, systematic sampling, stratified random sampling, cluster sampling and multistage sampling. Non-probability samples are based simply on the choice of the selector and may be subject to error in sample selection. These include quota sampling, convenience sampling and judgement sampling (Needham et al., 1995: 46).

Strictly speaking, only random samples allow a statistical generalisation from sample to population (Seale and Filmer in Seale, 1998), and a larger probability sample would give a better estimate of population parameters than a smaller one, but will also be more costly (Oppenheim, 1992: 43). However, in many cases, only non-probability sampling can be used in practice. Therefore, convenience sampling involves gathering information from anybody available for the researcher to survey (Needham, et al., 1995). Consistent with the previous research which was discussed in the Chapter 2, it has been further proved that there was a challenge to collect HR-related data in China. All of ten interviewed HR managers also warned that the researcher might receive few responses if the questionnaires were simply distributed to the sample by mail without

any strong ‘Guanxi’ support. In July 2000, the researcher began to contact the government agencies, such as FESCO, Ministry of Foreign Trade in Beijing in order to get their support to conduct random sampling in Beijing region. Although they kindly provided me with a list of the foreign-funded companies in Beijing, they could not guarantee to get a good response rate without £1500 financial support.

In order not to waste time, the researcher then decided to conduct non-random sampling, i.e. the ‘snowball’ method (Williams in May, 1997: 88). Snowball sampling seemed to be the only way of obtaining the survey data in practice. In this approach initial contact had been made through ‘Guanxi’ with some members of the population who would lead me to reaching other members of the same population. It had proved to be workable. Interestingly, some practical advantages by doing such ‘snowball’ sampling based on the ‘Guanxi’ were identified, which are outlined as follows:

- A relatively high response rate can be achieved based on the ‘Guanxi’ support.
- A longer questionnaire seems to be acceptable which can be helpful to obtain more information.
- More controllable in comparison with the typical mail questionnaire based on the ‘Guanxi’ network. For example, the researcher might have a chance to explain any enquires about the questions through contact persons.
- The samples of the small-sized and informal SFJVs could be easily excluded as proposed. The sampled SFJVs were required to employ at least 20 people, and have one Chinese parent, and one foreign parent.

The researcher realised that the ‘snowball’ method could still be very time consuming, and tried to expand the range of direct contact points. Some contact people



themselves might not work at a SFJV, but they could access to some SFJVs to collect data. Finally 102 completed questionnaires were received, breaking the target of 100 responses.

### **Pilot Study**

The best way to find out whether a questionnaire or question ‘works’ is to try it out on a number of people (Seale and Filmer in Seale, 1998:131). Pilot work obviously can help researchers with the actual wording of questions, and also with such procedural matters as the design of a letter of introduction, the ordering of question sequences, and the reduction of non-response rate (Oppenheim, 1992). Prior to the pilot use, the sample of the questionnaire was reviewed by several Western professionals to ensure it was measuring the desired construct. The questionnaire was then translated into Chinese followed by an additional final review by several Chinese MBA students from Dundee Business School. The purpose of checking the translation work is to confirm the consistence between two versions, i.e. Chinese vs. English. Then, the questionnaire was pilot-tested on five previously interviewed HR managers. On the basis of their comments, the researcher refined some items and developed the final version of the questionnaire (see Appendix 4). On completion of the pilot work, the questionnaires were then distributed to the sample.

### **Questionnaire Distribution and Collection**

Questionnaires in both Chinese and English versions were distributed to Chinese HR managers/staff at various SFJVs through both my direct contact with individual

managers or government officials and further distribution through them. The researcher provided them with the guidance to 'play' the 'snowball'. Then, the researcher kept in regular touch with these contact people. In August 2000, the researcher initially contacted 9 key persons who proposed to obtain around 120 responses in total no later than November 2000. However, as a result, only 58 responses were returned by the late November 2000. Therefore, the researcher had to adjust the schedule and returned China again to find five more direct contact persons. All direct contact persons were asked to re-checked the returned questionnaires to ensure they were completely filled in, and mailed to me directly. By the end of Feb. 2001, the researcher had successfully received 102 responses. In order to avoid collecting two or more questionnaires from one SFJV, returned questionnaires with similar characteristics had been re-checked through the contact points. Luckily, such potential problem did not occur in this study.

Based on the information replied from the contact persons, there was one HR staff refusing to fill in the questionnaire because he had a negative attitude towards such a research. Another 19 indirectly contacted people did not fill in the questionnaires mainly because of: 1) he/she might work with my direct contact person within the same market section. Therefore, he/she might be too sensitive towards his/her 'competitors' to be able to give an authentic response; 2) they could not provide outsiders with internal HR-related information without approval of their senior managers. The remaining 20 questionnaires were not returned without any explanation. The 8 late-coming questionnaires were not included. Therefore, in total 150 total questionnaires were distributed, and 102 usable questionnaires were returned with 70 % responses rate within seven months from late August 2000 to early March 2001.

All collected data had been input into the computer, and there were only 3 missing data from 2 cases. Such a sampling method allowed the researcher to go back the contact points to ask the respondents to re-fill it in. In general, respondents seemed to be carefully filling the questionnaire in order to save 'face' and strengthen the 'Guanxi' within the personal network. Even 62 % of them had answered the open questions either in Chinese or English.

### **Analysing Questionnaires**

The data collected by the questionnaires may, of course, be either quantitative or qualitative. The questionnaires do, however, lend themselves much more to quantitative forms of analysis. This is partly because they were designed to collect mainly discrete items of information, either numbers or words which could be coded and represented as numbers. This emphasis is also partly due to the larger scale of many questionnaire surveys, and their common focus on representation, which encourages a numerical or quasi-numerical summary of the results (Blaxter et al., 1996:193).

The quantitative analysis was undertaken from early March 2001. A number of statistical techniques had been adopted for such an analysis (also see Blaxter 1996; Williams in May, 1997). As a useful and helpful tool, the software, named 'MINITAB' (see Ryan and Joiner, 1994; Staines, 1999), was used to analyse these 102 returned questionnaires.

## Managing the Questionnaire Data

MINITAB is an easy-to-use general-purpose statistical computing system. It consists of a worksheet where data are stored and commands that operate on the data (Ryan and Joiner, 1994). In the worksheet, the rows are individual observations and the columns are the variables. The columns are denoted by C1, C2... and have given names referring to certain statements/questions of the questionnaire. For example, C1 has a short name 'Year' which refers to the year of setting up the SFJV. The original worksheet size is '50 columns  $\times$  102 rows'. However, in order to conduct calculations using some specific techniques, such as Chi-square test, some variables need to be re-structured (see Appendix 4). Therefore, the total worksheet size is '60 columns  $\times$  102 rows' (see Appendix 4).

When data were input into the worksheet for analysis, the researcher could type the appropriate commands. There are commands to read, edit, and print data, to do various statistical analyses such as tests, regression, and analysis of variance (Ryan and Joiner, 1994). A brief description of the relevant techniques for quantitative data analysis is given in the following section.

## Statistical Approaches to Analysis

There are various techniques that can be used to test different types of hypotheses. The valid statistical approaches for analysing a variable depend on the scale for its measurement. Agresti and Finlay (1997: 13-15) introduced the way to classify variables that determine the valid statistical methods. It refers to whether the measurement

scale consists of 'labels' or 'numbers'. Data are called qualitative when the scale for measurement is a set of unordered categories. When the possible values of a variable do differ in magnitude, the variable is called quantitative. The main reason for distinguishing between qualitative and quantitative data is that different statistical methods apply to each type of data. Some methods are designed for qualitative variables and others are designed for quantitative variables (Agresti and Finlay, 1997; Calder in Sapsford and Jupp, 1996: 226).

In addition to the above the type of data, levels of measurement – nominal (e.g. gender), ordinal (e.g. birth position in family), interval (e.g. exam scores) and ratio (e.g. age, family size), can have a considerable influence on the type of analysis the researchers are able to undertake (Calder in Sapsford and Jupp, 1996: 226). Data for nominal scales are qualitative. Data from interval and ratio scales are quantitative. With interval data there is no absolute zero point. The position of ordinal scales on the quantitative – qualitative classification is fuzzy. Because their scale consists of a set of categories, ordinal data are often treated as qualitative, being analysed using methods for nominal scales. Therefore, data measured by either nominal or ordinal scales should be analysed by the non-parametric methods. Data measured in interval or ratio scales may be analysed by parametric methods (e.g. T test, F test, etc.), if the assumptions of the parametric statistical model are tenable (see Siegel, 1956: 19). But in many respects, ordinal scales more closely resemble interval scales. They possess an important quantitative feature: each level has a greater or smaller magnitude of the characteristic than another level. Therefore, statisticians often take advantage of the quantitative nature of ordinal scales by assigning numerical scores to categories. That is, they often treat ordinal data as interval in order to use the more sophisticated

methods available for quantitative data analysis. Thus, most researchers continue with the practice of treating ratings as interval data (Agresti and Finlay, 1997; Calder in Sapsford and Jupp, 1996). Normally, though, researchers apply statistical methods specifically appropriate for the actual scale of measurement, since they use the characteristics of the data to the fullest, and measure variables at as high a level as possible, because a greater variety of methods apply with higher-level variables (Agresti and Finlay, 1997: 15).

Quantitative analysis may be conducted at a number of levels, which are outlined as follows (Blaxter et al., 1996: 194-196; Calder in Sapsford and Jupp, 1996):

- Descriptive statistics: Variable frequencies, percentage, means (measures of central tendency), standard deviation (measures of spread); Such statistics focus on the description of data presented.
- Inferential statistics: Generalising from the evidence available. Researchers therefore can either generalise from the sample to the population, or can test hypotheses about relationships or differences in the population, using the data from the sample. Either way, because the results are based on samples, they will be subject to sampling error. Commonly used methods include 'Chi-squared test', 'Pearson Correlation', and 'Student T-test', etc.
- Multivariate analysis: Studying the linkages between more than two variables; Commonly used examples include multiple regression, cluster analysis, and factor analysis.

There are a number of textbooks (e.g. Agresti and Finlay, 1997; Staines, 1999) which

have introduced the commonly used techniques. In the thesis, the researcher only briefly describes the techniques which have been related to this study.

The best-known and most frequently used measure of central tendency is the **mean**, a description of the average response. The mean is the sum of the measurements divided by the number of subjects. A measure of central location alone is not adequate for numerically describing a frequency. Thus, another useful summary statistic dispersion is the **standard deviation**. A data set without much variation will have all its values close to the mean and hence the standard deviation will be small.

The non-parametric **Chi-squared test** is a key test used to establish whether or not the two qualitative variables of the contingency table (or cross-tabulation) are independent of each other. A standard example of a Chi-squared test statistics is:

$$X^2 = \sum \left( \frac{(O - E)^2}{E} \right)$$

The summation is taken over all cells in the contingency table. For each cell, we square the differences between the observed (O) and expected (E) frequencies and then divide that square by the expected frequency. This method is only valid if at least 80% of Es are at least 5 and none is less than 1. If this assumption is violated we must combine categories. When null hypothesis ( $H_0$ ) is true, O and E tend to be close for each cell, and  $X^2$  is relatively small. On the contrary, the larger  $X^2$  value, the greater the evidence against the  $H_0$ , and the alternative hypothesis ( $H_A$ ) would be more likely to be true. The proportion of the tail that is beyond the test statistics value is called the **p value**. If the null hypothesis is true, we would only want to reject it with a small error. P values are

usually categorised as summarised below (Staines, 1999):

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P less than 0.001	reject the null hypothesis and write $p < 0.001$
P less than 0.01	reject the null hypothesis and write $p < 0.01$
P less than 0.05	reject the null hypothesis and write $p < 0.05$
P greater than 0.05	accept the null hypothesis and write $p > 0.05$

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**Source:** Staines, 1999

To convert the  $X^2$  test statistics to a p-value, we use the sampling distribution of the  $X^2$  statistics. The precise shape of the distribution depends on the degree of freedom  $DF = (r - 1)(c - 1)$ , where  $r$  is number of rows, and  $c$  refers to number of columns of the table. Although the Chi-squared statistic treats the classification as normal, it is used in practice for any type of categorical data. When the variables are ordinal or interval, however, it is usually better to apply stronger statistical methods designed for the higher level of measurement.

In this study, it was also important to investigate whether a pair of quantitative variables ( $x$  and  $y$  with Lickert Scales) were associated, and to study the strength of their correlations. The analyses conducted in studying the relationship between two quantitative variables are collectively called a regression analysis. The linear regression model uses a straight-line prediction equation to describe the relationship between two quantitative variables. The **Pearson correlation** is often used to measure the



association for a pair of quantitative variables, one of which is a response variable, and one of which is an explanatory variable. The index used to indicate the strength of the association between these two variables is the **correlation coefficient r**. The Pearson correlation, denoted by  $r$ , is related to the slope  $b$  of the prediction equation  $Y = a + bX$  by

$$r = \left( \frac{S_x}{S_y} \right) b$$

While  $S_x$  and  $S_y$  denote the sample standard deviation of  $X$  and  $Y$ . The Pearson correlation coefficient  $r$  always lies between  $-1$  and  $+1$ .  $r > 0$  when the variables are positively related, and  $r < 0$  when the variables are negatively related. The larger the numerical values of  $r$  the better the straight line fits the data. Thus  $r = 0$  when there is not a linear increasing / decreasing trend in the relationship between  $X$  and  $Y$ .  $r = \pm 1$  when all the sample points fall exactly on the prediction line.

When working with five-point Likert scales we can use the **one sample t test** (two tailed) to test whether respondents show agreement, indifference or disagreement. Supposing the population distribution of a variable is normal, with sample size  $n$ , the sampling distribution of the  $t$  statistic

$$t = \frac{\sqrt{n} (\bar{x} - \mu)}{s}$$

is called the  $t$  distribution with  $(n - 1)$  degree of freedom. While  $\bar{x}$  is the sample mean and  $s$  is the sample standard deviation.  $\mu$  is assumed population mean and equal to 3 for five-point Likert Scale in the study. The spread of the  $t$  distribution depends on the degrees of freedom. The  $s$  always exceeds 1, but decreases toward 1 as  $df$  (and hence

n) increases. When  $df \geq 30$ , the t distribution is so similar to the standard normal distribution that inference procedures for the mean using the t distribution are practically equivalent to those using the standard normal distribution. If the sample mean is close to that hypothesised then the test statistic will be small. The usual significance level is 5%, 1% or 0.1%.

For quantitative response variables, one of the most common analyses refers to comparing the mean responses of several groups. **One way analysis of variance** (i.e. one-way ANOVA F statistics test) can be used for simultaneously comparing means of several groups. The heart of this analysis is a significant test, using the F distribution, for detecting evidence of differences among the population means: i.e. whether subsets of the population have a common 'mean'. The larger the F test statistics, the smaller the p-value, and we may reject the  $H_0$  that each mean is equal. **Tukey's pairwise comparisons** can be further adopted to test whether each pair is significantly different. The output of using one way ANOVA will show clearly significant differences among the subgroups, as well as which pairs are significantly different.

So far, we have concentrated mainly on univariate data analysis where each variable is considered in isolation. In most social science research, these analyses are but the first step. Subsequent steps use multivariate methods to analyse, at the same time, other variables that might influence the relationship between the original two: i.e. multivariate analysis tried to make sense of many observations or variables simultaneously.

**Factor analysis** is a multivariate statistical method used for a wide variety of purposes, which are summarised by Agresti and Findlay (1997: 630) as follows:

- Revealing patterns of interrelationships among variables;
- Detecting clusters of variables, each of which contains variables that are strongly intercorrelated and hence somewhat redundant;
- Reducing a large number of variables to a smaller number of statistically uncorrelated variables.

Each factor is an artificial combination of the original variables. However, how useful this is depends on the interpretability of the factors. Thus, the output from factor analysis is often subjective and open to variable interpretation.

As Calder and Sapsford (in Sapsford and Jupp, 1996) described, **multiple regression** is a simple extension of the idea of linear regression to allow us to predict one variable from a combination of several others in order to know:

- which of the influences are strong and which are weak;
- To what extent the different independent variables are independent influences (or, conversely, how much their influence overlaps);
- Whether there are interaction effects (whether the influence of two or more variables together is different from what would be predicted of any one solely by itself).

In a multivariable study (e.g. Agresti and Finlay, 1997), denote the explanatory

variables by  $X_1, X_2, \dots, X_k$ , where  $k$  denotes the number of predictors. The basic model is

$$E(Y) = \alpha + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_k X_k$$

In this equation, the constant parameter  $\alpha$  is the mean of  $Y$  when each explanatory variable equals 0. The parameters  $\beta_1, \beta_2, \dots, \beta_k$ , which are the slopes of the partial relationships, are called partial regression coefficients. Once we propose the above model for the effects of a set of predictors on a response variable, the next step is to estimate the model parameters using sample data. Then

$$\hat{Y} = a + b_1 X_1 + \dots + b_k X_k$$

denotes the prediction equation that estimates the above multiple regression equation. Using the prediction equation, software provides predicted values of  $Y$  for each subject by substituting the  $X$ -values into the equation. The multiple regression model has residuals (i.e.  $Y - \hat{Y}$ ) that measure prediction errors. The sum of squared errors,  $SSE = \sum (Y - \hat{Y})^2$ , summarises the closeness of fit of the prediction equation to the response data.

The multiple correlation for a regression model is the Pearson correlation between the observed  $Y$  values and the predicted  $\hat{Y}$  values.  $R^2$ , coefficient of multiple determination, describes the degree of predictability of the response variable  $Y$  by the collective set of explanatory variables.  $R^2$  falls between 0 and 1. The larger the value of  $R^2$ , the better the set of explanatory variables ( $X_1, \dots, X_k$ ) collectively predict  $Y$ .  $R^2 = 1$  only when all the residuals are 0, that is, when all  $Y = \hat{Y}$ , so that  $SSE = 0$ . In that case, the prediction equation passes through all the data points.  $R^2 = 0$  when the

predictions do not vary as any of the X-values vary. The significance of  $R^2$  will be tested, using F-statistic, to see whether the overall level of prediction allows the rejection of the null hypothesis of no overall association, also to see whether R is a significantly better predictor than the largest of the zero-order r values – in other words, whether anything is gained by adding in the extra independent variables. The shape of the F distribution is determined by two degrees of freedom terms, denoted by df1 and df2. The first of these,  $df1 = k$ , is the divisor of the numerator term ( $R^2$ ) in the F statistic. It equals the number of explanatory variables in the multiple regression model. The second term,  $df2 = n - (k + 1)$ , is the divisor of the denominator term ( $1 - R^2$ ) in the F statistic. It equals the sample size n minus the number of parameters in the multiple regression model.

The standardised partial regression coefficients ( $\beta_1, \beta_2$ , etc.) estimate the independent contribution of each variable to the prediction, controlling for overlap with all the other variables in the equation. The larger this is, the larger the effect of that particular independent variable on the dependent variable. This estimate needs to be tested for significance (usually using T test). The test for partial effect of an explanatory variable  $X_i$  on Y has null hypothesis  $H_0: \beta_i = 0$ , stating that, controlling for other variables, Y is statistically independent of  $X_i$ . The alternative hypothesis normally is two tailed,  $H_A: \beta_i \neq 0$ . Software for regression reports t statistic and the actual p-value. If the t is not significant, the prediction would be just as good if that variable were left out of the equation.

### Using MINITAB Software Package to Conduct the Statistical Analysis

This section describes using MINITAB (see Ryan and Joiner, 1994) in the quantitative analysis to confirm or test the four research proposition/hypotheses (see Section 4.3 in Chapter 4).

In order to confirm the research proposition regarding development of embedded HRM practices in SFJVs, one-sample T-tests (two-tailed) were firstly used to examine the respondents' attitude towards the typical HRM activities in their ventures. Pearson Correlations were conducted to identify the correlation between the relevant Likert-scale statements. One-way ANOVA F-tests were also useful to test whether there were differences across the sub-groups, such as different type of industries, groups of venture sizes, various labour sources, etc. Meanwhile, Chi-squared tests were used to reveal whether there were associations between type of industries (i.e. Statement C6 in the Questionnaire) and employees' education levels (i.e. Statement C3) and so on. All these together were helpful to confirm the research proposition.

The one-way ANOVA F test, coupled with Chi-squared tests were used to test Hypothesis 1 stating that the effectiveness of embedded HRM practices in SFJVs is affected by their HR-related managerial patterns within the ventures. Hypothesis 2, proposing the association between the effectiveness of embedded HRM practices in SFJVs and their local managers' HR-related professional knowledge and skills, was tested mainly using Pearson Correlation, coupled with one-sample T test (two-tailed). Both simple linear regress, i.e. Pearson Correlations and multiple regression, were run to test Hypothesis 3, suggesting the success of developing embedded HRM practices

in SFJVs is positively associated with the degree to which the ‘hybrid’ corporate culture is supportive of change, innovation, customer-oriented philosophy and internal atmosphere of ‘harmony’.

In general, the following skeleton of hypothesis testing procedure was used in this study (Staines, 1999):

- 1) Specify the null hypothesis
- 2) Specify the alternative hypothesis
- 3) Calculate the test statistics
- 4) Specify the significance level
- 5) Find the critical values
- 6) Accept / reject the null hypothesis
- 7) Draw conclusions
- 8) Write up the findings

Fortunately, the most above work can be performed using MINITAB, which provides p values in addition to test statistics. Indeed, it is much easier to apply statistical methods using specific software than using old-fashioned hand calculation (Agresti and Finlay, 1997: 7).

To address the post-positivist concern for discrepancies in measurement, a mixed methodology has been adopted. However, the researchers still need to understand the strengths and potential problems for each technique used during the research. Thus, the next section turns to evaluate the quantitative research in order to ensure the quality of the study.

## **Verification of the Quantitative Research**

Concern for the validity and reliability of the research continues from the qualitative stage into the quantitative stage. The survey method and particularly the statistical representation of the social world are not without problems or critics (Williams in May, 1997: 103). Statistics are only a tool based on the certain assumptions, and when it comes to a critique of survey research, its opponents are not impressed by numbers, whether they are percentages, proportions, means or chi-square values. From this perspective, a common criticism of the survey method is that it attempts to show causal relations between variables, a strategy which is simply not applicable to the realm of human action which is not 'caused'. An associated criticism is that survey method rules out the possibility of understanding the process by which people come to adopt particular values or behaviours. Differences are accommodated in questionnaires by the 'fixing' of complex answers within a series of simple categories. Yet not only is this a simplification of a complex social world, but also it takes no account of change in opinions across time (Williams in May, 1997).

More specifically, it has been often argued that the questionnaire surveys usually produce poor response rates. Meanwhile, there is no opportunity to correct misunderstandings or to offer explanations, and no control over incomplete questionnaires (Oppenheim, 1992:102). Another practical problem of using questionnaires is that researchers depend on the honesty of the respondents (Seale and Filmer in Seale, 1998). Questionnaire techniques may also raise the reliability and validity concerns. Reliability refers to consistency, to obtaining the same results



again. Validity tells us whether the question or item really measures what it is supposed to measure (Oppenheim, 1986: 69-70). Furthermore, if the sample studies are not representative, the conclusions drawn from the research must be limited to the sample studies (Dixon et al., 1992: 135). Thus the research findings need to be treated with some caution.

The above problems are thought to be overcome by an attention to design, measurement, and good pilot work (Willaims in May, 1997: 105). For examples, ambiguous questions must be avoided, and the validity of the research could probably be enhanced by allowing the respondents to complete the questionnaire anonymously (see Dixon et al. 1992: 81).

Nevertheless, the chief advantages of questionnaires include low cost of data collection, avoidance of interviewer bias, and ability to reach respondents widely (Oppenheim, 1986; Gill and Johnson, 1997). In particular, when dealing with HR-related sensitive issues, their anonymity may be advantageous.

In summary, each technique has its own advantages and disadvantages. These techniques, in themselves, are not true or false. They are more or less useful, depending on their fit with the theories and methodologies being used, the hypothesis being tested and / or the research topic that is selected (Silverman, 1993:2). Nor can these theoretical frameworks be properly understood outside arguments which take place at the levels of both epistemology and methodology (Brunskell, in Seal, 1998: 40). In the end, the interpretation of the findings is limited by the methods used and the sample studied (Blaxter et al., 1996:199).

### **3.5 Ethics of the Empirical Research**

Kvale (1996:110) emphasised the importance of taking ethical concerns into consideration from the very start of an investigation through to the final report.

Therefore, all ethical concerns must be fully presented to each informant, respondents and SFJV organisations. In doing so, the researcher kept in mind, during the empirical research, that a responsible researcher was considerate, did nothing to injure, harm, or disturb the subjects of research, kept data collected on individuals and groups confidential, accurately recorded information, and reported the findings of the research in a public manner (see Dixon et al. 1992). Data obtained by means of both interviews and the questionnaire survey would be always be regarded as confidential, in the sense that no responses or findings should ever be published which could be traced back to particular individuals (Gill and Johnson, 1997). Such ethical concerns had been fully presented to each respondent in order to gain consent from them. Building mutual trust prior to collecting the qualitative data was very important to achieve the primary research success. During the interviews, I always presented myself as an 'independent' researcher who would not work for their employers. A brief introduction of the purposes of the research was also given in order to draw their attentions and obtain their more assistance. All interviewees allowed me to use the type recorder after I explained that it would be very helpful for me to collect 'full' data from the interview, and it would not be reached by anyone else. At the beginning of interviews and on the first page of each questionnaire, the researcher clearly described the purpose of the research, possible utilisation of the statistical findings and promised to treat the data as confidential.

### 3.6 Conclusions

This chapter has attempted to provide a clear account of the direction and steps taken to conduct this empirical research, articulate why the methods were chosen, and show how the methods were used to achieve the research objectives. More specifically, Section 3.2 reviewed the epistemological and methodological debates which underpinned the study; Section 3.3 then clarified the research strategic process; Section 3.4 critically discussed and described the research methods for data collection and analysis, and Section 3.5 in particular highlighted the ethical concerns for this study.

As stated earlier, the philosophical underpinning of this research is positivism, since the qualitative research was treated as a relatively minor methodology. Both qualitative and quantitative methods have been carefully verified in this chapter in order to enhance the research quality. Obviously, doing research involves far more than data collection (Dixon et al. 1992). It is important for researchers to understand the arguments on methodologies and methods. This is because these arguments may orient a researcher towards certain ways of thinking about the subjects and help to make decisions on how to undertake research. There is no one best approach. Research methodology is sometimes a compromise between options, and choices of methods are at least determined by the availability of resources (Gill and Johnson, 1997) and the key research questions or hypotheses (Silverman, 1993:2). Also, the methods adopted must have a good fit with theory and methodology (Silverman, 1993).

Meanwhile, the interpretation of the research findings would also be limited by the methods which have been used and the samples which had been studied. The limitations of the empirical research will be listed out when concluding the study in Chapter 7.

The following chapter reports the qualitative results and then generates four research proposition/hypotheses in order to address the research problem and provide an account of the direction for the following quantitative research.

## **CHAPTER 4: QUALITATIVE RESULTS AND DEVELOPMENT OF RESEARCH PROPOSITION/HYPOTHESES**

### **4.1 Introduction**

The aims of Chapter 4 are to present the qualitative findings and then formulate key research proposition/hypotheses in order to further address the research problems. This chapter firstly presents the interview results on the research areas, including contextual factors, typical HRM activities, formulation of a corporate culture, the HR-related managerial patterns and local managers' professional knowledge and skill as well as Chinese trade unions within SFJVs. The profile of these ten SFJVs and ten respondents' background can be seen in Appendix 2 and 3 respectively. The author gave codes rather than company names alone in the analysis. The code indicates the type of a venture ('Manu' refers to manufacturing industry and 'Serv' refers to the service industry) and foreign investors' nationalities as well as the number of the case (1, 2, 3...). For example, SFJV1-Manu-Finland. All sampled SFJVs are located in Beijing region. The youngest venture was set up in 1998, and the oldest one in 1986, while the average age of the ventures is around seven years. One SFJV is operating in the service industry, and the others are in the manufacturing industry. Each SFJV has one Chinese partner and one foreign investor. These ten foreign investors are headquartered in Australia (1), Brazil (1), Britain (1), Finland (1), France (1), German (1), Holland (1), Singapore (1), and USA (2). The foreign ownership ranges from 35 % to 95%. The venture sizes are various - from 78 to 1700 employees. All of these SFJVs have currently employed Chinese HR managers.

The qualitative data analysis leads to generating four research proposition/hypotheses that address the research problems and clarify the direction of the further research. Thus, the chapter contains two main sections: reporting qualitative findings and generating these research proposition/hypotheses.

## **4.2 Qualitative Results**

This section is structured similarly with the literature review chapter, which is outlined as follows:

- 1) The key influential factors concerning Chinese managers in SFJVs;
- 2) Typical HRM practices in SFJVs, including recruitment and selection, training and development, reward and recognition, promotion and rotation, and performance appraisal. Meanwhile, the section also reports the findings related to the labour contract and the role of HR departments in SFJVs;
- 3) Managerial resources and HR-related managerial patterns;
- 4) Formulating a ‘hybrid’ corporate culture;
- 5) The role of trade unions within the ventures.

The details are reported sequentially in the following sections.

### **4.2.1 The Key Influential Factors Concerning SFJVs’ Chinese Managers**

These appeared to have a complicated contextual influence upon HRM practices. These environmental factors could also be categorised into the following groups: national

context, industrial context, as well as organisational and individual context, as did in the literature chapter. The data showed that, in practice, there were a number of key influential environmental factors concerning these Chinese HR managers from the ten selected SFJVs, which are listed in Table 4.1:

**Table 4.1: Key Contextual Factors at Various Levels**

Key Environmental Factors at the National level	Key Environmental Factors at the Industrial, Organisational and Individual levels
<ul style="list-style-type: none"> <li>• Cultural differences</li> <li>• Chinese economic reform</li> <li>• Local government influence</li> <li>• Relevant laws and regulations</li> <li>• Local labour market</li> <li>• ‘Hu Kou’ (the permanent residence permit)</li> <li>• ‘Dang An’ (the personal file)</li> <li>• Social welfare system</li> </ul>	<ul style="list-style-type: none"> <li>• Foreign parents’ influence</li> <li>• Nationalities of foreign investors</li> <li>• Chinese parents’ involvement</li> <li>• Type of industries and market sectors in which the ventures were operating</li> <li>• Competitors in the marketplace</li> <li>• SFJV age</li> <li>• SFJV size</li> <li>• Senior management supports</li> <li>• Sources of employees</li> <li>• Nationality of the general manager</li> <li>• Local managers’ qualification</li> </ul>

Furthermore, the HR manager of SFJV4-Manu-Britain said:

*We are working within a certain but complicated environment... and it is also frequently changing. I do not believe there is a 'one best way' to manage the Sino-foreign JVs and their Chinese employees. This really depends on many factors...*

Cultural differences seemed to be a key concern for Chinese HR managers. All respondents recognised that HRM practice in China is a cross-culture challenge, but few of them blamed foreign managers for understanding little about the Chinese culture and Chinese people. Meanwhile, they also argued that Chinese culture is not a 'barrier' to developing HRM practices in China. The HR manager of SFJV3-Manu-Germany commented:

*I do not think that Chinese culture blocks the development of HRM. The key point is that both foreign and Chinese managers must try to respect and trust each other...Chinese employees' ways of thinking are still changing ...*

Although the HR manager of SFJV5-Serv-USA criticised some Chinese traditional ways of behaving, this manager still believed that the impact of the economic reform, coupled with the influence of Western 'modern' culture and philosophy would eventually change their ways of thinking and behaving. The HR manager of SFJV4-Manu-Britian however argued:

*Do not attempt to change Chinese employees to become 'Westerners'.  
Meanwhile, we do not expect that foreign managers have full knowledge about Chinese culture and history...Rather, we need to build a 'hybrid' team from both sides, but containing many more Chinese professionals.*



It was found that the local government agency, the so-called Labour Bureau, was often directly involved in monitoring the labour systems in these companies by:

- Issuing a standard version of the labour contract;
- Auditing each signed labour contract;
- Conducting regular on-site investigations each year.
- Issuing regulations to ‘force’ SFJVs to recruit employees from the local labour resources.

However, few of these respondents criticised such a government intervention. HR managers at SFJV6, 7, 8 even thought that the government had a positive role to play in developing their workable HRM in SFJVs. The HR manager at SFJV9-Manu-Holland stated:

*It is very important for the HR manager in a SFJV to establish and keep a close ‘Guanxi’ with government agencies in order to gain their supports and/or avoid any possible negative influences.*

This is consistent with Sanyal and Guvenli’s (2000) finding suggesting that a satisfactory ‘Guanxi’ with governments would impact positively on HRM development in China. More specifically, and similar to the previous studies (Tsang, 1994; Goodall and Warner, 1997), it was also found that the government mechanism for controlling labour movement across cities and/or provinces was ‘Hu Kou’ (the resident permit) and ‘Dang An’ (the individual personal file). Both ‘Hu Kou’ and ‘Dang An’ were regarded as ‘legacy’ of previous planned economic system (see Section 2.2.2 in Chapter 2). In such a context, most of SFJVs had to employ local residents. Surprisingly, some HR managers mentioned that the individual personal files could be used as a tool to

control employees not leaving without earlier notification. SFJV2-Manu-Australia had experienced business loss due to an illegal leaving of some key salesmen. So, it has been compulsorily required by many SFJVs for their newly recruited employees to transfer their personal files to the ventures or the government agency (i.e. FESCO, which has been mentioned in the literature chapter) before commencing their jobs.

The impact of the labour market has been regarded as another key factor concerning these Chinese HR managers due to a high frequency of appearing in the interview transcripts. As highlighted in the literature, the labour market in Beijing was emerging and changing quickly. All of these SFJVs now enjoyed autonomy to recruit new employees from the local labour market. On the other hand, employee turnover was becoming a real problem for many HR managers. Despite the culture concern (see Tsang, 1994), it may also indicate that the turnover has been largely dominated by the labour market (see Cappelli, 1999). However, a national labour market has not yet been widely established.

In particular, the following two environmental factors have often been regarded as key external force to ‘drive’ the SFJVs to develop an effective HRM system in SFJVs: the continuing economic reform including improvement of relevant laws and regulations, and increasing competition in the Chinese market place.

Most HR managers had a positive attitude towards the foreign parents’ involvement, however, few of them believed that they could simply copy their foreign companies’ home practices. The HR manager at SFJV7-Manu-USA commented “ *HRM has been developed in the Western countries for many years...In order to develop our own*

*effective HRM practices, we must learn from our foreign managers.”* The respondents from SFJV5,7 with American MNCs often felt that American managers were somewhat ‘pushy’ in practice. While the HR managers at SFJV1- Manu-Finland commented: *“I found that European managers are more likely to respect Chinese ways of behaving than American and Japanese managers...We need their guidance rather than simply an order.”* In general, these Chinese HR managers’ views towards Chinese parents’ involvement looked relatively neutral. But in SFJV2,5,7,8,9,10, the influence of previously transferred employees from Chinese parent firms had often drawn these HR managers’ concerns in practice. This will be further discussed in later sections of the thesis.

The type of industries in which the firms were operating influenced these HR managers in setting up their HRMs systems in practice. SFJVs’ ages and sizes were also regarded as influential factors upon HRM practices. For examples, the HR manager at SFJV9- Manu-Holland said that it was unnecessary for a small-sized firm to develop highly ‘standardised’ HRM practices. This manager, who used to work for a SOE, believed that the ‘Guanxi’ among the more than 150 employees made HRM practices more flexible. While the large-sized SFJV5-Serv-USA, however, attempted to develop ‘standardised’, ‘scientific’ and ‘systematic’ HRM system.

Within these SFJVs, the general managers’ support and Chinese managers’ professional knowledge and skill have been often cited as key internal influential factors in developing embedded HRM practices. This will be further reported in Section 4.2.3.

Interestingly, some influential factors which have been often cited in the literature, such as partners’ goals, MNC’s strategic orientation, partner selection and so on (see Section 2.2.3 in Chapter 2), have not drawn Chinese managers’ much attention in practice. This may indicate that Chinese practitioners took a different angle from their positions to look at HRM practices in SFJVs. Thus, it further supports that it is meaningful to study the subject by taking ‘view from China’.

**4.2.2 Typical HRM Practices in SFJVs**

Consistently with the literature reviews, the following HRM typical activities are focused upon in this study: recruitment and selection, training and development, reward and recognition, promotion and job rotation as well as performance appraisal. This section shows how these Chinese HR managers constructed the current HRM practices in their SFJVs in Chinese changing contexts. The evidence provided in the chapter is helpful to further address the research problems.

Recruitment and Selection

Table 4.2 below presents the sources of recruitment and recruitment/selection methods applied in these SFJVs.

**Table 4.2: Sources and Methods of Recruitment and Selection**

SFJVs	Sources of Recruitment and Selection	Recruitment/Selection Methods
SFJV1-Manu-Finland	Most from the local labour market.	Non-Structured Interviews.  Interviewers: Department Manager, GM.

SFJV2-Manu-Australia	<p>Priority to the internal resources through the job rotation and promotion.</p> <p>Most from the local labour market.</p>	<p>Structured Interviews + Written Tests.</p> <p>Interviewers: Department Managers, HR Manager / Staff.</p>
SFJV3-Manu-German	<p>Priority to the internal resources through the job rotation and promotion.</p> <p>All from the local labour market.</p>	<p>Structured Interviews.</p> <p>Interviewers: HR staff, Line Managers, GM.</p>
SFJV4-Manu-Britain	<p>Most were recruited from the local labour market.</p> <p>Some university/college graduates.</p>	<p>Structured Interviews.</p> <p>Interviewers: HR managers, Department Managers, Foreign Managers.</p>
SFJV5-Serv-USA	<p>Most from the local labour market.</p> <p>Some key managers from the Chinese partner company at the starting time.</p>	<p>Structured Interviews + Written Tests.</p> <p>Interviewers: Line Managers, HR staff, GM.</p>
SFJV6-Manu-Singapore	<p>Most managers from the Chinese partner.</p> <p>Junior staff and workers from the local labour market.</p> <p>Some key staff were recruited from the outside Beijing by applying for specific 'work permits' from the local government.</p>	<p>CV, Structured Interviews, Psychological Test.</p> <p>Interviewers: HR staff, Department Managers, GM.</p>
SFJV7-Manu-USA	<p>Most from the Chinese partner company at the starting stage.</p> <p>Priority to the internal Resources through the job rotation and promotion.</p> <p>Starting to recruit from the local labour market.</p>	<p>Structured Interviews + Written Test</p> <p>Interviewers: HR staff, Department Managers, GM.</p>
SFJV8-Manu-Brazil	<p>Most from the Chinese partner company at the starting stage.</p> <p>Starting to recruit from the local labour market or direct from the universities.</p>	<p>Non-structured Interviews.</p> <p>Interviewers: Department Managers, HR Manager.</p>
SFJV9-Manu-Holland	<p>Most from the Chinese partner company at the starting stage.</p> <p>Recruit from the local labour market.</p>	<p>Structured Interviews.</p> <p>Interviewers: HR Manager, Department Managers, GM.</p>
SFJV10-Manu-France	<p>Most workers came from the Chinese partner company at the starting stage.</p> <p>Most managers were recruited from the local labour market.</p>	<p>Structured Interviews.</p> <p>Interviewers: HR Manager, Department Managers, GM.</p>

Nowadays, many SFJVs had freedom to recruit their employees from multiple sources as shown in the above table. Some SFJVs, including SFJV7,8,9,10, were required to recruit the group of employees from their Chinese partner companies only at the starting stage. Apparently, the local labour market is the major source providing SFJVs with labour force. SFJV3,6 had tried successfully to recruit a very small number of key professionals/technicians from outside Beijing. These firms however had experienced many difficulties and spent a lot of time dealing with individual 'Dang An' and 'Hu Kou' through a bureaucratic procedure. When the SFJVs were going to fill their key positions, they normally asked head-hunters to be involved in finding qualified candidates in Beijing region. In order to recruit skilled workers, most SFJVs went to the job centres to select them from the database. In addition, other means for recruiting employees were often used by most SFJVs, such as advertising in the local newspapers, unveiling recruitment information on the web sites, attending job fairs, encouraging existing employees to recommend qualified candidates and so on. The general managers were often involved in the selection process in the most investigated SFJVs.

As shown in the above table, interviewing as a Western technique of job selection had been applied in all sampled SFJVs. Some companies, including SFJV2-Manu-USA, SFJV5-Serv-USA, SFJV6-Manu-Singapore, SFJV7-Manu-USA, had even conducted a written test for candidates. However, typical disadvantages of job interviews, such as low validity, interviewers' bias, had often concerned these HR managers. Either structured or non-structured job interviews would most likely be perceived as a starting-point, and a certain probationary period was then required for each new employee in these SFJVs. According to the Labour Law, this period might be different from one month to a half year depending on each individual contract. In addition,

some Chinese HR managers seemed to have different views towards such Western-style practices at the operational level. The HR manager at SFJV3-Manu-Germany commented:

*No doubt, the interview method is useful to select right people... It would be helpful that the foreign company could provide us with the list of the questions for a structured job interview... However, some of the questions should be adapted to be applicable in China. For example, Chinese people might feel uncomfortable if they were asked a straightforward question at a first meeting, such as 'what are your main weaknesses?'. Such a question could be often asked in the West, but in China, interviewers might probably fail to obtain 'true' information about the candidates.*

The following comments from the HR manager of SFJV4-Manu-Britain are also relevant:

*I found that our foreign managers were often influenced by some superficial issues, such as candidates' English level, work experience... But we had knowledge and skills to find in-depth information about their background, personality, motivation to apply for this job, as well as understand the social influences and the local labour market... Consequently, this often caused a conflict between Chinese and foreign managers when making decisions to choose the 'right' people.*

As the above statements suggested, foreign managers had little knowledge about Chinese culture and Chinese people, but they often attempted to make a decision in their own ways.

As reviewed in the literature chapter, according to the laws, all employers were required to sign labour contracts with their employees. Thus, the next section provides the further empirical evidence regarding the labour contracts.

### Labour Contracts

Table 4.3 below shows that when the applicants had been selected, they were normally required to sign an individual labour contract before commencing their jobs. A collective contract might be negotiated between SFJV management and its trade union, but the use of collective contracts was still less general.

**Table 4.3. Labour Contracts**

Case No	SFJV1-Manu	SFJV2-Manu	SFJV3-Manu	SFJV4-Manu	SFJV5-Service
Labour Contracts	Individual	Individual	Individual	Individual	Individual
Case No	SFJV6-Manu	SFJV7-Manu	SFJV8-Manu	SFJV9-Manu	SFJV10-Manu
Labour Contracts	Individual	Individual + Collective	Individual + Collective	Individual	Individual

The individual labour contracts had been widely used in these SFJVs, regardless of SFJVs' ages, foreign ownership and market sections. However, facing this new concept and HRM practices, some employees seemed to be a little bit worried when they were asked to sign the individual contracts. For example, in SFJV7-Manu-USA the transferred employees who had permanent jobs in their previous SOE were reluctant to sign 2-year labour contracts with the current venture company, and in SFJV9-Manu-



Holland, some junior workers who had less confidence to find new jobs were also very concerned about being fired if they did not meet the certain requirements based on such contracts. In contrast, in SFJV10-Manu-France, some key employees, such as middle managers and professionals, were reluctant to sign 5-year contracts because they did not intend to serve the current company for such a long period.

Nevertheless, SFJVs have developed the contract-based employment systems. The following section turns to presenting the qualitative findings about training and development in these SFJVs.

### Training and Development

All HR managers regarded training as one of the most important functions contributing to the success of both SFJVs business and their employees' career development.

Training was widely based for all employees in these SFJVs from these HR managers' view. In particular, the HR managers from SFJV3,8 asserted that training would receive top priority in a competitive SFJV.

Extracted from the qualitative interviews with these ten HR managers in SFJVs, the multiple objectives of investing people in these SFJVs could be outlined as follows:

- Achieving a long-term success
- Increasing company's competitive advantages
- Enhancing company business performance by improving employees capability
- Formulating SFJVs corporate culture
- Improving cross-culture communication skills

- Changing Chinese employees' ways of thinking and behaving
- Creating a learning organisation
- As a motivator.

Although some items listed above may be duplicated to some extent, these are surprisingly quite similar to those identified in the Western countries by Armstrong (1993) as well as Geringer and Frayne (1990).

Indeed, one advantage enjoyed by a SFJV is directly acquiring professional knowledge and skills from the foreign parent company. However, the data revealed that employees in these SFJVs could actually learn from the multiple training resources in practice, which are presented in the Table 4.4:

**Table 4.4: Learning Resources**

Learning Resources	Number of Cases Using the Resources	No. of Cases
▪ Managers and/or Supervisors	10	SFJVs: 1,2,3,4,5,6,7,8,9,10
▪ Training and Consulting Companies	9	SFJVs: 2, 3,4,5,6,7,8,9,10
▪ Internal Trainers	8	SFJVs: 2,3,4,6,7,8,9,10
▪ Foreign Managers	7	SFJVs: 1,2,3,4,6,7,10
▪ Foreign Professionals from the HQs	6	SFJVs: 1,2,3,4,7,10
▪ Lecturers from the Local Institutions	6	SFJVs: 1,3,4,6,7,8
▪ Providing self-learning resources	3	SFJVs: 2,7,8
▪ Peers	2	SFJVs: 3,4
▪ Foreign HQs' Web Sites	2	SFJVs: 3,5

The Internet and/or Intranet seemed to be helpful to enhance a MNC's globalisation strategy. For instance, SFJV5-Serv-USA's foreign investor required its employees around the whole world to use the Intranet to report regularly how they managed their time on each working day. The Chinese HR manager of the venture however argued:

*Our Chinese HR team did not believe that such method was suitable for Chinese employees, because many of them would not input 'true' data for their employer. Rather, they would be more likely to 'create' ideal data in order to show their 'best' image to the company... The HR director at the HQs, however, did not appreciate our concerns and asked us to act as 'global' people... This director would make a mistake if he used such unreliable data...*

The above statement provides further evidence showing that 'global intelligence' could be probably regarded as 'local stupidity' from the Chinese perspective.

The training content differed from one SFJV to another. Both technical training and management training had been generally thought of as necessary and effective instruments to improve employees' capability in SFJV2,3,4,7. SFJV1,6,8 had, however, put less effort on management development. Whether the training programme was run by a foreign company, by someone in the SFJV or by some other professional unit, the contents of the training programme would serve for achieving the above training purposes. The multiple training methods adopted in these SFJVs are outlined as follows:

**Table 4.5: Training Methods**

Training Methods	Number of SFJVs Using the Method	No. of Cases
Orientation Training	10	SFJVs: 1,2,3,4,5,6,7,8,9,10
On-the-Job Training	10	SFJVs: 1,2,3,4,5,6,7,8,9,10
In-Company Formal Training	8	SFJVs: 1,3,4,5,6,7,9,10
Overseas Training	7	SFJVs: 1,2,3,4,6,7,9

As the HR manager from SFJV4-Manu-Britain commented, a good training opportunity could be regarded as a motivator to attract more newly qualified staff and encourage existing staff to improve their performance. The HR manager at the SFJV7-Manu-USA suggested integrating training into the SFJV's daily operation and believed that the SFJV's corporate culture could be formulated through actions and contacts, not only through speeches and memos. Furthermore, the HR manager at SFJV4-Manu-Britain pointed out that training and development would not only be seen simply as a desirable component of HRM, but also as an essential contributor to the venture's business performance.

### Rewards and Recognition

Wage setting and reward policies of these SFJVs were usually determined by the board, but the general manager had great autonomy in deciding how to distribute bonuses. Therefore, pay and bonuses in these SFJVs varied from one to another. Before setting reward systems, the HR staff at most of these SFJVs had normally conducted a market survey in order to propose a competitive wage package. The HR manager at SFJV9-Manu-Holland stated:

*In the previous years, our wage packages were not competitive because the senior managers intended to keep the low labour costs... Consequently, this policy led to losing many key employees during the last four and/or five years... We have now launched a market-oriented compensation policy. In the marketplace, the company has no alternative choice... Of course, the pay must be dependent on the personal achievements.*

The data suggested that performance-related pay (PRP) had been applied in most investigated SFJVs. Therefore, big differences on pay inevitably existed in these ventures. In order to avoid the ‘red eye disease’ (the common Chinese expression for jealousy), a secret pay, so called ‘back-to-back’ policy (also see Dowling, et al., 1999), had been widely adopted. However, in SFJV8 and10, in which most of workers were transferred from the Chinese parent companies at the starting stage, such a policy seemed not to work well. The HR manager at SFJV10-Manu-France explained:

*They had been working together for many years before joining the SFJV. They were bringing the traditional ways of thinking and behaving from their previous state-owned company. Therefore, our ‘secret pay policy’ did not work in practice, because they always shared HR-related information each other...These people have paradoxical attitudes towards the PRP policy. On the one hand, they wished to earn more, on the other hand they would be easily affected by ‘red eye disease’ if others earn more.*

The HR manager of SFJV4-Manu-Britain also commented that “*it would be more complicated and difficult to develop successful HRM practices in the venture than those in its foreign parent company.*”

The data suggested that these HR managers often criticised the traditional pay system in SOEs, so called ‘iron rice-bowel’ model, which was described in Chapter 2. Meanwhile, the HR managers at most SFJVs used words such as ‘fair’, ‘scientific’, to label their currently applied PRP systems which were significantly different from the traditional ones. The HR manager at SFJV4-Manu-Britain commented:

*It is a right choice to use a scientific PRP-based reward system in SFJVs. All employees would prepare to accept big differences in their incomes. They should understand that, in order to improve the venture's business performance, the reward policies and practices in a SFJV could be significantly different with those in their previous state-owned companies.*

At SFJV7-Manu-USA, they used a more complicated system, so called 3Ps (pay for position, pay for person, and pay for performance), in which both external and internal issues had been taken into accounts. SFJV5-Serv-USA adopted so called 'HAY' system which was developed by an American consulting company.

Meanwhile, the HR manager of SFJV2-Manu-Australia introduced the current regulations relating to the pay:

*The wage packages in the joint ventures were composed of two major components: actual monthly take-home pay in cash, and welfare programmes and benefits. The benefits take 61 % of the incomes, including pensions: 20 %; fringe benefits: 20 %; housing fund: 10 %; medical insurance: 7.5 %; trade union fee: 2 %; education and training fund: 1.5 %. This meant that if an employee's monthly salary was RMB 1000, he/she could only take home RMB 390 in cash. (Note: RMB is the unit of Chinese money. 1US\$ = 8.3RMB)*

The above Regulations sometimes confused the new coming foreign managers. For example, the foreign GM of SFJV10-Manu-France initially suspected that Chinese employees wanted to get extra incomes by asking for their 'housing benefits'. This foreign manager eventually understood that this was strictly required by the

government for all employers. In this regard, the HR manager at SFJV8-Manu-Brazil stressed the need for mutual trust between foreign managers and Chinese managers in the SFJV. The bonus system was not limited by the above Regulations, and was actually determined by general managers in SFJVs. In addition to cash as a bonus, more training opportunities, longer holidays, company-paid overseas travelling and so on were often provided as motivators in these SFJVs.

In addition to a monetary reward system, non-monetary recognition systems had also been applied in some SFJVs. Recognition demonstrates to employees that their efforts are appreciated, and consequently encourages continued excellence (Cyr, 1995). At SFJV4-Manu-Britain, some high performers were invited to attend the senior management meetings to discuss company's policies. At SFJV7-Manu-USA, employees were recognised for their performance by publishing information in the company newsletters and journals. In addition, at the end of each year, top performers were often granted titles such as 'advanced manager' and 'pacesetter'. Interestingly, such activities were also often found in the SOEs (see Lu and Bjorkman, 1997).

#### Promotion and Job Rotation

As these HR managers described, most SFJVs had provided all employees with equal opportunity for promotion and apply the same criteria to them. The basis of promotion in these SFJVs was candidates' competence and/or performance, rather than seniority which was key criteria for promotion in a traditional SOE. In most cases, the promotion policies and practices were open to everyone within the ventures, and some SFJVs preferred to promote from the within, like SFJV2,3,7. The job rotation activities

were also found in some SFJVs. However, in SFJV1,6,8,10, there were not explicit job-rotation policies and practices yet. The following comments from HR manager of SFJV3-Manu-German revealed a practical concern relating to promotion and job rotation:

*We do not only emphasise providing employees with a promotion opportunity but also encourage job rotation within the company... Sometimes, a promotion activity might negatively, to some extent, impact on other employees. But job rotation policy was much welcomed by many employees. They could learn more things at a new position and also might earn higher salary based on their improved performance... Interestingly, some staff preferred to be rotated to a new position rather than to be promoted. Anyway, we are trying to provide them with multiple choices in their career development.*

#### Performance Appraisal (PA)

Table 4.6 below shows that annual performance evaluations of all employees have been usually conducted by these SFJVs, and that a half-year review, quarterly PA and/or monthly review have been also applied in some SFJVs.

**Table 4.6: Performance Appraisal**

	SFJV1-Manu	SFJV2-Manu	SFJV3-Manu	SFJV4-Manu	SFJV5-Service
Annual PA	Yes	Yes	Yes	Yes	Yes
Half Year PA	/	/	Yes	Yes	/
Quarterly PA	/	/	/	/	/
Monthly PA	/	/	/	/	Yes



	SFJV6-Manu	SFJV7-Manu	SFJV8-Manu	SFJV9-Manu	SFJV10-Manu
Annual PA	Yes	Yes	Yes	Yes	Yes
Half Year PA	/	Yes	/	/	/
Quarterly PA	/	/	/	Yes	/
Monthly PA	Yes	/	/	/	/

The technical approaches for PA were introduced from their foreign parent companies and/or directly learned from independent management consulting companies. Most classical schemes had been developed in Western countries. Accordingly, in some cases, the manager and the subordinate tended to jointly evaluate the performance together and decide on the following-year objectives. In comparison with the Chinese traditional practices in SOEs, most respondents believed that these appraisal methods were much more ‘fair’ and ‘objective’ because:

- they differentiated on individual’s task fulfilment from others at the same or different levels;
- the final mark would be jointly agreed by both the manager and the employee;
- an employee had a right to appeal if he disagreed with his manager’s judgement.

The HR manager of SFJV7-Manu-USA commented:

*We had learnt the PA techniques from the West, and made efforts to train our line managers...Most of them felt that such an open and standardised process could bring both personal strength and weakness into account...It was also helpful to promote a formally regular communication between employees and their managers.*

However, this seemed to be rare in many other ventures. One explanation, as told by its HR manager at SFJV6-Manu-Singapore, is that: *“In China, the education system encourages people to be accustomed to the pattern of ‘superior speaking and inferior listening’.”* A further explanation may be that Chinese do not attempt to confront their managers, which has been discussed in the literature review chapter. Meanwhile, local employees were still not fully accustomed to getting direct criticism from their managers, because they did not want to lose ‘face’ in front of their manager. The Chinese communication style has often been characterised as indirect, with individuals trying to minimise the loss of ‘face’ and preserve harmonious relationships (Lindholm et al., 1999:153). The hierarchical nature of Chinese society seemed to influence a number of elements of a Western performance management system. The HR manager of SFJV4-Manu-Britain suggested that one should learn to use both direct messages and indirect clues in practice.

In terms of objectives of performance appraisal activities, the formal communication between managers and their subordinates had been made a priority in some SFJVs. The role of personal relationships was also important during and after the appraisal programme. Meanwhile, the appraisal was also used to identify specific training needs for each individual, and to establish the following-year objectives for them. The appraisal results were also linked with employees’ salaries and bonuses in the coming year. The HR managers at SFJV7-Manu-USA commented:

*Through a performance appraisal process, it provided a unique opportunity for both employees and their managers to sit down and make formal communications. This was very important because efficient and effective communication can*

*improve the management-employees relationship and then help to formulate an open and harmonious atmosphere in the company.*

Furthermore, the writing of specific job descriptions and goals and explaining them was regarded of utmost importance. The Chinese HR manager at SFJV3-Manu-German said: *"I found that many of Chinese employees liked to have more concrete goals and clear boundaries of their job."* These findings are consistent with cross-culture research on managerial values, which has found that Chinese people score very high on intolerance of ambiguity and on uncertainty avoidance (Hofstede, 1984, 1993; Smith et al. 1996).

The assessment processes were similar for all employees, but the content and criteria were different from one SFJV to another. As described earlier, the assessment in these SFJVs was usually conducted by a vertical process in which the superior and the subordinate discussed the issues together and jointly agreed on future objectives and relevant training needs to improve individual performance. However, some traditional Chinese methods, such as peer and subordinate assessment (see Lu and Bjorkman, 1998), were still active in SFJV3 and 4. The HR manager of SFJV3-Manu-German even proudly labelled peer assessment as *'one of our distinguishing management features'*.

#### The Role of HR Departments in the SFJVs

The role of the personnel department in a traditional SOE has been often criticised, with emphasis on 'bureaucracy', 'supervision' and 'control' (Goodall and Warner, 1997). Fast-paced change requires HR managers and their staff to readily play a new

role to match SFJVs' strategy which is significantly different from that in the SOEs. These respondents emphasised that HR departments would have 'supportive' role in achieving SFJVs' business objectives. The HR manager of SFJV7-Manu-USA commented:

*Generally speaking, our HR department should provide all-round services for all employees, and act as both an 'advisor' to deal with personnel issues and an 'advocator' to formulate a harmony atmosphere within the venture... Of course, it must also be a 'controller' to ensure both employer and employees obey the relevant Laws and Regulations. But such a control is positive which is different with traditional one in an SOE... The HR manager should also be involved in decision-making at a strategic level... and assist the general manager to manage the organisational change.*

The HR manager of SFJV5-Serv-USA however had a practical concern that too much emphasis on 'service' may lead to a failure for HR department to manage the Chinese employees. Meanwhile, this manager asserted that the HR department would create a corporate culture that supports the venture to develop effective HRM practices. The HR manager of SFJV6-Manu-Singapore highlighted that the HR department would have an ability to integrate HRM practices in an appropriate way in order to build up an effective HRM system to support the company's business success.

Such a change of the role of HR departments in SFJVs in comparison of SOEs indicates that HRM practices in SFJVs have been moving away from the traditional Chinese personal management systems towards more open and supportive activities.

As mentioned in Section 4.2.1, the following two factors, i.e. the HR-related managerial patterns and local managers' HR-related knowledge and skills, were often regarded as key successful factors to developing embedded HRM practices. The following section then in particular presents the relevant findings in detail.

#### **4.2.3 The HR-related Managerial Patterns and Local Managers' HR-related Knowledge and Skills**

HR managers in these SFJVs often emphasised the importance of the senior management supports in developing successful HRM practices in their firms. More specifically, they mentioned that foreign GMs, from USA and EU in particular, were normally supportive of providing financial aid for training and development, and professional instruction. The HR manager of SFJV2-Manu-Australia said that he enjoyed a good relationship with his foreign GM, although he sometimes felt that the foreign GM attempted to 'force' Chinese employees to follow his instructions.

Most MNCs assigned expatriates to take SFJVs' GM positions, while all HR-manager positions in these SFJVs had been taken over by local managers (see Appendices 2 and 3). From the MNCs' perspective cost saving might be their main concern as discussed in the literature chapter. From the Chinese perspective, most Chinese HR managers believed that they were the only right persons, instead of foreign managers, to establish a more harmonious relationship with local employees. In particular, they had confidence in providing the SFJVs with valuable government contacts. These contacts were especially helpful when dealing with Chinese bureaucracy. The localisation policy had led to some SFJVs introducing career planning for potential managers.

For example, SFJV3-Manu-German had developed so called ‘Future Star’ programme, and SFJV7-Manu-USA had established its ‘Leadership Development Centre’ in order to develop their local management teams. Table 4.7 below presents the HR-related managerial patterns (i.e. HR manager + GM) which were adopted by these investigated SFJVs.

**Table 4.7: HR-related Managerial Patterns in These Firms**

SFJVs	GM	+ HR Manager
SFJV1-Manu-Finland	Finish GM	Chinese Manager from the Labour Market
SFJV2-Manu-Australia	Australia GM	Chinese Manager from the Labour Market
SFJV3-Manu-German	German GM	Chinese Manager from the Labour Market
SFJV4-Manu-Britain	The Third Country GM	Chinese Manager from the Labour Market
SFJV5-Serv-USA	American GM	Chinese Manager from the Parent Firm
SFJV6-Manu-Singapore	Chinese GM	Chinese Manager from the Parent Firm
SFJV7-Manu-USA	American GM	Chinese Manager from the Labour Market
SFJV8-Manu-Brazil	Brazil GM	Chinese Manager from the Parent Firm
SFJV9-Manu-Holland	Dutch GM	Chinese Manager from the Labour Market
SFJV10-Manu-France	French GM	Chinese Manager from the Labour Market

In line with the literature, the following three managerial resources were found in the sampled SFJVs: expatriate manager, the third-country managers and local managers. As shown in the above table, It can also be summarised that the ‘Foreign GM + Chinese HR Manager from the Labour Market’ is the major HR-related managerial pattern in these SFJVs. Foreign companies seemed to be likely to assign expatriate managers to manage their SFJVs in co-operation with local professionals.

Consistent with Osland's (1994) findings, the study illustrated that most Chinese HR managers seemed to be eager to learn from foreign senior managers. They wished to improve their professional knowledge and skills. This had been further evidenced since all of informants expressed that they often attended HR-related training courses within and outside firms. Two of them were now studying for their MBA degrees on a part-time basis. The HR manager of SFJV7-Manu-USA pointed out:

*Successful development of HRM practices was increasingly dependent on not only local managers' 'Guanxi' network but also professional knowledge and skills. Local managers need to learn how to work with foreigners together in managing and motivating employees to do their best in order to achieve competitive advantage in the market place.*

In SFJV8-Manu-Brazil, conflicts between foreign managers and Chinese managers often happened. The Chinese HR director criticised the Brazil GM, who had little knowledge about the Chinese context. However, the 50-year old HR director who was transferred from the previous SOE had only obtained a high school certificate. During the interviews, HR managers from SFJV2,6,10 with higher academic degrees often used English to describe HR-related terms, such as 'Performance Appraisal', 'Learning Organisation', 'Assessment Centre', 'Power distance' and so on.

#### **4.2.4 Formulating a 'Hybrid' Corporate Culture**

The HR managers often mentioned during the interviews that it was very important to formulate the most appropriate corporate culture in a SFJV. The HR manager of

SFJV4-Manu-Britain labelled HRM as ‘hardware’ and corporate culture as ‘software’, while both were correlated. The HR manager of SFJV3-Manu-German commented:

*A favourite corporate culture could influence employees’ behaving and encourage them to do their best... Thus, it would be easier for our HR department to develop HRM practices in the venture...The general manager often discussed with me about the formulation of a corporate culture...*

Though it might create a unified JV corporate culture which was independent from that of the parent companies (Cyr, 1995), the HR manager of SFJV7-Manu-USA pointed out that the formulation of a corporate culture was mainly driven by the foreign partner companies from developed countries. However, in SFJV8-Manu-Brazil the Chinese HR manager argued that the foreign GM completely failed to nurture a practical corporate culture, while the Chinese side had to pay much attention on its own to “organise some out-door activities and parties”. In this case, the corporate culture was mainly influenced by Chinese with typical traditional features from the previous SOE (also see Lu and Bjorkman, 1998).

Since a majority of foreign investors were from developed countries, most HR managers in these SFJVs thought that Chinese HR staff would maintain positive attitudes toward Western-style corporate culture, as exemplified in its management 'best practice'. They believed that many typical characteristics of Western corporate culture were acceptable and helpful to develop effective HRM practices, such as ‘customer-oriented’, ‘globalisation’, ‘learning for excellence’, “innovation and change” etc. In SFJV9-Manu-Holland in particular, the MNC’s philosophy “Let’s Make Things Better” had been made a priority in order to achieve a competitive



advantage. More business-oriented belief among employees at all levels and a stronger customer-oriented strategy were beginning to be regarded as crucial elements for successfully competing in the Chinese marketplace. Meanwhile, aspects relating to the Chinese culture and philosophy were also identified as core favourites of corporate culture of a SFJV, such as '*taking care employees*', '*family atmosphere*', '*internal and external Guanxi*' and so on. In order to formulate 'family atmosphere', some ventures often organised outdoor activities for all employees and their family members. In addition, some respondents addressed the changing nature of a corporate culture in line with the continuous economic reform and national culture changes.

This appears to present a picture of a 'hybrid' corporate culture in these SFJVs which reflected a Western 'advanced' and 'scientific' management style and was also 'comfortable' for Chinese employees. The HR managers from SFJV3, 7,10 believed that a corporate culture could be formulated by developing specific training programmes. Moreover, the HR manager at SFJV10-Manu-France pointed out that the favourite corporate culture could be established not only by regular training programmes but also through daily actions and contacts between foreigners and Chinese, not only through speeches and memos.

#### **4.2.5 The Role of Trade Unions within the SFJVs**

The Trade Unions had been established in most investigated SFJVs (see Appendix 2). According to the Trade Union Law, their roles in SFJVs were to represent the employees' interests formally. The Unions were under the control of the Chinese partner and participation by expatriates was not allowed. Each SFJV was required to

contribute 2% of the total payroll to support the activities of its trade union. These Chinese HR managers addressed that the trade unions in these SFJVs were not opposed to employers. Rather, trade unions might give the management a helping hand. For instance, in SFJV10-Manu-France, 'safety' was the priority in the daily operations, and the trade union had the responsibility for educating employees to observe labour discipline. In SFJV8-Manu-Brazil the foreign managers were very concerned with the negative influence of the trade union. They deliberately forbade the presence of union representatives when making decisions on labour issues. Eventually, they found the union was actually not a 'creator of confrontation'.

All respondents recognised that a Chinese trade union was essentially different to a Western one. The HR manager of SFJV9-Manu-Holland said: *"in practice, the trade union does play neither positive nor negative roles in a firm in China."* SFJV1,3 had not even set up their trade unions yet.

#### **4.3 Generating the Research Proposition/Hypotheses**

Based on the perceptions of these HR managers from various SFJVs, the above qualitative findings have provided the further evidence to address the research problems. This section therefore turns to generating the four research proposition/hypotheses.

## **Proposition**

The qualitative data collected in this study showed that Chinese HR managers recognised that SFJVs' business success in the Chinese marketplace now heavily relied on the quality of their workforce. The data suggested that SFJVs had developed contract-based employment practices in China. In general, in line with Ding et al. (1997) as well as Goodall and Warner's (1997) findings, these SFJVs have been moving away from the Chinese traditional 'iron rice-bowl' systems. Meanwhile, the data also showed that some previous research findings might no longer provide valuable guidance to the current and future developments in China, such as 'lack of formal job interviews' (Huo, 1995; Tsang, 1994), 'very limited professional training' (Sweeney, 1996), 'seniority-based promotion policy' (Tsang, 1994), 'no appraisal discussion' (Esterby-Smith et al., 1995) and so on. Many of these changes in HRM policies and practices in SFJVs might reflect the influences of the continuing economic reform and the increasing competition in the new market-oriented economy, while culture differences still remain a significant impact upon HRM practices. Also, the Chinese unique business system affected HRM practices in many aspects with different degrees. Therefore, both researchers and practitioners cannot take a simplistic view in studying HRM in SFJVs by ignoring surrounding environmental factors and their changing features.

Newer HRM activities have been adopted in most SFJVs, such as recruitment and selection, training and development, reward and recognition, promotion and job rotation as well as performance appraisal. However, evidence of variations in these HRM practices was also found: recruitment and selection as well as training and

development seemed to have been well developed in all sampled SFJVs, while rewards and recognition, promotion and job rotation, and performance appraisal were still under improvement in most cases, and job-rotation and appraisal systems in particular had even not established in some cases. Such differences could be explained according to Lu and Bjorkman's (1997) study suggesting that both recruitment and training were more likely to be more compatible between MNC standardisation and localisation than the other three. Another explanation is probably that the new-formed SFJVs may need more time to develop and improve their current HRM system along with evolution of the Chinese national business system.

There was also evidence of institutional isomorphism (see Ferner, 2001) as SFJVs had made efforts to learn the Western HRM theory and 'copy' the HRM framework. Such an HRM framework containing the typical HRM activities seemed to be acceptable and even welcomed by the Chinese managers. Moreover, within each individual activity, Western management techniques could still be valuable. For instance, the formal interviewing technique had been widely used in these ventures in order to recruit 'right' people. Another example was that the formal two-way communications between employees and their managers had been emphasised during the performance appraisal programmes in many cases. However, there were no convincing signs that Chinese managers intended to practise these Western HRM techniques without regard to their particular conditions. Rather, the qualitative study illustrated that Chinese managers, to some extent, had different ways of thinking and behaving at the operational level. For example, a direct criticism might probably make the Chinese people losing 'face', and then such an appraisal activity would not be successful at all.

Thus, although an HRM system in a SFJV might be adopted from the source which has been established in the MNC's home country (Lu and Bjorkman, 1998), 'Westernisation' policy had been met with subtle resistance in all cases. Few of respondents believed that a pure Western model was workable in China. They often stressed the need to 'modernise' their HRM systems, rather than simply trying to transfer the Western 'best practice' into China. Therefore, Goodall and Warner's (1997) study finding pure 'imported' rewards system, trade union and social insurance in some SFJVs need to be treated carefully. The convergence theory seems to be challenged by these Chinese HR managers. In this regard, American management theories rooted in the American system were not universal although the general framework, namely, the objectives of winning in a competitive marketplace might be universal (also see Fatehi, 1996: 69).

The data further showed that the SFJVs themselves, on the basis of their own surrounding environments and internal resources, had made great efforts to establish an embedded HRM system. Therefore, the research proposition can be described as follows:

***P: SFJVs have been developing effective HRM practices by moving away from the traditional 'iron rice-bowl' system to an embedded system.***

This proposition is not only supported by the previous research conclusions (e.g. Ding et al., 1997) suggesting SFJVs have moved away from the Chinese traditional personnel management, but also attempts to clarify the way of developing HRM

practices in SFJVs in the Chinese changing environments. Thus, it is important to further identify the key characteristics of so called 'embedded HRM practices' which are elaborated as follows:

Firstly, the embedded HRM practices indicate that SFJVs have attempted to develop a workable HRM system which is not only moving away from the traditional Chinese personnel management system, but also differentiated from those of their foreign partners. Therefore, the convergence assumption of simply transferring Western 'best practice' into SFJVs has been rejected from the Chinese perspective. Moreover, embedded HRM practices in SFJVs would continue to evolve into a specific SFJV model, which can neither be described as an adaptation (e.g. Benson and Zhu, 1999), as convergence theorists predicted, nor as a 'hybrid' model (e.g. Goodall and Warner, 1997), which the comparative literature suggested. Instead, SFJVs would develop a 'unique' HRM system that is embedded in the Chinese national business system and rooted in the Chinese culture in particular. Thus, such practices could go beyond the direct conflicts between localisation and standardisation (see Lu and Bjorkman, 1997).

Secondly, the data revealed that there were a number of contextual factors concerning Chinese HR managers in the development of HRM practices in SFJVs. However, these factors identified by the respondents seemed not to be completely consistent with what foreign investors were often concerned (see Chapter 2). As mentioned earlier, these contextual factors could be categorised into the national, industrial, organisational and individual levels. The influence of such contexts at all levels still appeared to be very complicated. The qualitative findings indicated that the study and implementation of HRM in SFJVs without consideration of the contexts from different perspectives

might be misleading. The embedded HRM should support an SFJV not only to respond quickly to the Chinese changing environments, but also actively to make use of the current situation to achieve their HRM goals. For examples, in some cases, 'Dang An' (personal files) had been often utilised by the firms to prevent employees from illegal leaving without prior notice; and the trade unions within some SFJVs had been treated as 'co-operators' to convince employees. With China joining the WTO, there will be less and less connection to a traditional business system that emerged from the previous planned economy. Again, the Chinese business system is still evolving over time.

Thirdly, embedded HRM also refers to a system in which individual HRM activities should 'fit' each other, i.e. 'internal consistency' (see Wood, 1999). Meanwhile, the HRM system should also be coherent with other systems within the venture and have a great extent of 'external acceptability'. Sierra (1996) cited the value and importance of 'compatibility' in corporate partnerships, and Cyr (1995) suggested finding a compatible partner, since when parent companies' HRM practices were not compatible, conflicts might occur. In practice, however, Lu and Bjorkman (1997) found that SFJVs were unlikely to integrate local practices with those developed in the Western MNCs. For this reason, the author prefers to use of 'acceptability', instead of 'compatibility' in the development of HRM practices in SFJVs. This may indicate that the embedded HRM practices emphasises on a dynamic balance between Chinese 'acceptability' and MNCs' strategic orientations.

Finally, in addition to the above emphasis upon both internal and external 'fits' (also see Wood, 1999:367-368), embedded HRM should also be regarded as a process, not a stable practice. The dynamic nature of HRM practices provides challenge for both

SFJVs and their parent firms. The development and implementation of the process may foster the 'best result'-orientated business philosophy. Thus, these HRM practices should support SFJVs to achieve competitive advantage in the Chinese marketplace and enhance their business performance, although the relevant activities may not be regarded as Western standardised 'best practice' (see Lu and Bjorkman, 1997).

There has been in the recent literature little direct consideration of a 'fit' between the HRM system and the organisation's environment (Wood, 1999). The concept of embedded HRM attempts to put this 'fit' in the spotlight. The above research proposition appears to urge SFJVs to set up a workable HRM system on a case-by-case basis, since the embedded HRM practices are context dependent. This seems to support the contingency theory. However, it does not mean that there is a straight conflict between contingency and universalistic perspectives. As a matter of fact, the qualitative data suggested that most HR managers had generally positive attitudes towards the Western HRM policies and practices by using words, such as 'advanced', 'fair' and 'systematic', and 'scientific' to label Western practices. Meanwhile, interviewees recognised that the traditional 'iron rice-bowl' system no longer served the business organisations to compete in the Chinese marketplace, and promoted to reform the old systems. Also, the multiple learning resources are now available within and outside the strategic alliances. Hamel et al. (in Wit and Meyer, 1994) suggested whether a company controlled 51 per cent or 49 per cent of a joint venture might be much less important than the rate at which each partner learns from the other. In addition, the HR manager at SFJV8-Manu-Brazil highlighted that 'trust' between foreign and Chinese managers in a SFJV was also crucial to increase HRM efficiency.



‘Trust’ is one of the core elements of ‘Guanxi’. Therefore, a good ‘Guanxi’ between them can foster mutually leaning within and outside the SFJV boundary.

The achievement of SFJVs’ success apparently can only be accomplished by capable people (Cyr, 1995). Thus, the above research Proposition can be put forward by attempts to link the effectiveness of embedded HRM practices in SFJVs with some key relevant themes identified in the study, such as the HR-related managerial patterns and local managers’ professional knowledge and skill of managing people. Thus, the following section turns to formulating Hypotheses 1 and 2.

### **Hypotheses 1 and 2**

More specifically and practically, the HR-related managerial patterns (i.e. GM + HR manager) have been often cited by these Chinese HR managers as great concerns. As presented in Table 4.7 in Section 4.2.3, there were various HR-related managerial patterns among the ten SFJVs. Most ventures adopted such pattern with the foreign general managers and the Chinese HR managers recruited from the local labour market. Apparently, most MNCs seemed to be likely to assign expatriates to take GM positions and employed local professionals to fill the HR manager positions in their ventures in China.

In particular, HR staff and other managers in the organisation need to accept responsibility for the creation of conditions that result in integrating HRM activities (Cyr, 1995). For such an integration, the HR department requires supports from the senior management. The foreign general managers in SFJV2,3,7,10 seemed to be

supportive and helpful in developing workable HRM practices and formulating a corporate culture. The HR manager of SFJV6-Manu-Singapore, however, experienced difficulties in getting financial and/or non-financial supports from the Chinese general manager in practice.

Most respondents also recognised that effectiveness of such workable HRM practices in a SFJV was largely dependent on the local managers' professional knowledge and skills to comply with the corporate strategic direction and to cope with concrete HR-related difficulties. Therefore, it is necessary to have a better understanding of the impact that the HR-related managerial patterns and the local managers' HR-related knowledge and skills can have upon the ultimate effectiveness of HRM development in SFJVs. Thus the following two research hypotheses are generated to highlight such issues. A hypothesis has to be expressed in statistical terms before it can be tested. Also it always has to be tested against some alternatives. The actual formulation of a hypothesis is therefore very important (Calder in Sapsford and Jupp, 1996: 235). Hence, the specific and practical Hypotheses 1 and 2 are presented as follows:

***H1: The effectiveness of embedded HRM practices is affected  
by the HR-related managerial patterns in SFJVs.***

***H2: The effectiveness of embedded HRM practices in an SFJV is directly  
influenced by the HR-related professional knowledge and  
skills of the local managers.***

The above two hypotheses attempt to link the effectiveness of embedded HRM practices with the two key success factors. The development of the two hypotheses aims not only to contribute to the theory but also to encourage both foreign and Chinese managers to make more efforts on these two controllable factors in studying and implementing HRM practices in SFJVs. The third hypothesis turns to taking 'corporate culture' into account, on the basis of the qualitative data.

### **Hypothesis 3**

The HR managers from SFJV5-Serv-USA and SFJV8-Manu-Brazil strongly argued that the Chinese culture and management style would not always be regarded as 'barriers' to developing effective HRM practices in SFJVs. Actually, both foreign MNC corporate culture and Chinese local culture come together to formulate an SFJV corporate culture. Thus there appeared to be a 'hybrid corporate culture' in SFJVs. The 'hybrid' corporate culture is an ambiguous pattern. It aims to combine features of both national and corporate levels from both sides. Although there is no clear-cut preference for either a Western style or the Chinese tradition, some HR managers pointed out that Western culture actually played an active and dominant role in the process of formulation of a corporate culture in their ventures. An embedded HRM system can help to inculcate a corporate culture through selection, training and various forms of employee involvement to win hearts and minds and ensure shared values and beliefs (Guest, 1994: 254). In turn, the corporate culture has a strong impact upon the HRM practices in an organisation (Jones, 1996). In particular, a 'hybrid' corporate culture would be helpful for building a nurturing environment to develop embedded HRM practices in SFJVs. Embedded HRM practices, therefore, largely depend on an

SFJV's ability to adopt core aspects of the MNC corporate culture, such as 'change and innovation', 'customers-orientation' and so on, that are the basis of its global competitiveness (also see Tichy, 1988), while maintaining the practical aspects of Chinese cultural norms, including 'harmony', 'Guanxi' and so on (see Chapter 2).

Moreover, a 'hybrid' corporate culture of SFJVs provides a vehicle for creating 'external acceptability' and 'internal consistency' in order to operate successfully in the diverse and dynamic environment. MNCs then need to be aware that the degrees of such acceptability and consistency may be various on a case-by-case basis. Meanwhile, an SFJV may provide a platform for Chinese managers and employees to learn directly from the West since the partner organisation could be a source of ideas and creativity (also see Garvin, 1993). Within an SFJV, a 'hybrid' corporate culture may help to build up a high level of divergent thinking and cognitive flexibility (also see Tayeb, 1996). Under such a learning and flexible circumstance, the SFJV itself may have more confidence in developing its embedded HRM practices in order to strengthen its organisational competitive advantage in the Chinese marketplace and to enhance its business performance. Thus the third research hypothesis is described as follows:

***H3: The effectiveness of embedded HRM practices is positively associated with the degree to which the SFJV 'hybrid' corporate culture is generally supportive of change and innovation, customer-oriented philosophy and internal atmosphere of 'harmony'.***

While the ‘change and innovation’ and ‘customer-oriented philosophy’ were extracted from the qualitative data. The ‘atmosphere of harmony’ contains core concepts of Chinese culture, including close ‘Guanxi’, saving ‘face’, and ‘harmony between people and their environment’ (see Chapter 2).

#### **4.4 Conclusions**

This chapter has analysed the qualitative data, which were drawn from the interviews with ten key informants, to address the research problems by generating four research proposition/hypotheses. The research proposition attempted to explore the way of developing effective HRM practices in SFJVs and to highlight the influence of Chinese context in which HRM practices have to be grounded and embedded. More specifically and practically, Hypotheses 1 and 2 suggested to develop embedded HRM practices by formulating a certain HR-related managerial pattern, and staffing and developing local competent managers. Finally, Hypothesis 3 proposed that the embedded HRM practices would be associated with a ‘hybrid’ corporate culture in supporting SFJVs’ business success in the Chinese marketplace.

All of these together may contribute to the literature regarding HRM development in IJVs. Since the thesis adopts a post-positivist methodological standpoint, all these tentative conclusions need to be confirmed or tested by further conducting the quantitative survey which is allowing for a statistical analysis on the basis of a wider coverage. These qualitative results, coupled with the literature have provided the basis for the questionnaire design. In order to test these research hypotheses, the

quantitative analysis would use the embedded HRM items as dependent variables. The measures of the embedded HRM effectiveness in this study will be discussed in detail in Chapters 5 and 6.

The following chapter aims to summarise the quantitative findings in order to confirm and/or test whether the above four research proposition/hypotheses are supported or not, followed by further discussions.

## **CHAPTER 5: QUANTITATIVE RESULTS AND THE RESEARCH**

### **PROPOSITION/HYPOTHESES CONFIRMATION**

#### **5.1 Introduction**

The preceding chapter has generated four research proposition/hypotheses based on the qualitative findings. The aim of Chapter 5 is then to outline the quantitative findings in order to confirm or test these research proposition/hypotheses. Thus, this chapter firstly presents the profile of 102 sampled SFJVs and the breakdown of the 102 respondents that are useful to conduct the statistical analysis. The following section then analyses the quantitative data related to the typical HRM activities and the surrounding key contextual factors as well as the effectiveness of embedded HRM practices, a ‘hybrid’ corporate culture, the HR-related managerial patterns and local managers’ professional knowledge and skills. This chapter concludes with a summary of whether the quantitative results support the research proposition/hypotheses from the Chinese perspective.

#### **5.2 General Characteristics of the Sample**

Table 5.1 below presents the demographic profile of the sampled SFJVs. Among these 102 SFJVs, the oldest firms were established in 1984, and the most recent ones were set up in 1999. Most SFJVs participating in the study were formed during 1990s, consistent with the increasing growth of foreign investment inflow into China. The average of these SFJV ages is about 7.3 years old (Mean = 7.3; SD = 3.6; Minimum

= 2.0; Maximum = 17.0). The foreign investors were from 17 countries, among which a majority of them came from EU, USA, Japan and Singapore. The sizes of these SFJVs varied from fewer than 100 to over 1,000 employees. There were 71 SFJVs that had foreign dominant ownership (over 50 per cent), and other 24 SFJVs had local partner dominant ownership, while only 7 SFJVs had equally split ownership (50:50). The sample covered both manufacturing (78%) and service industries (22%). All sampled SFJVs were located in Beijing, the same region where the previous qualitative data had been collected.

**Table 5.1: Sample Profile in the Survey (N = 102)**

Characteristics of SFJVs	Categories	Number of the Sampled SFJVs
Start-up Date	1980s	14
	1990s	88
Number of Employees	1 - 100	33
	101 - 200	35
	201 - 500	23
	501 +	11
Employees Skills (% graduate)	0 - 30	43
	31 - 50	25
	51 - 100	34
MNC Nationality	USA	33
	EU	37
	Japan	12
	Singapore	11
	Others	9
Foreign Ownership	> 50 %	71
	= 50	7
	< 50 %	24
Type of Industry	Manufacturer	78
	Service Company	24



General Managers (GM)	From Chinese Parent Firms	21
	From Foreign Parent Firms	77
	From the Local Labour Markets	4
HR manager	From Chinese Parent Firms	42
	From Foreign Parent Firms	6
	From Local Market	54
Union Status	Unionised	66
	Non-Unionised	36

As shown in the above table, a majority of SFJVs had recruited Chinese HR managers either from the Chinese parent companies or from the local labour market.

Furthermore, Table 5.2 below provides the respondents' background. All respondents are Chinese HR managers/staff. A majority of respondents had obtained college diplomas and/or higher academic degrees and 64% of them also received HR professional training. A majority of respondents were under 40 years of age, and 83 % of them were between 26-40 years old.

**Table 5.2: Breakdown of the Respondents (N=102)**

Characteristics of Respondents	Categories	Number of the Respondents
Age	51 +	4
	41 - 50	4
	31 - 40	46
	26 - 30	37
	20 - 25	11
Gender	Male	54
	Female	48

Obtained Highest Academic Degrees	Doctor Degree	1
	Master Degree	17
	Bachelor Degree	60
	College Diploma	21
	Lower Qualifications	3
Received formal HR training	Yes: (in China only)	65: (46)
	(Overseas only)	(2)
	(Both)	(17)
Previous work experience in a SOEs	No	37
	Yes	67
	No	35

### 5.3 Quantitative Results

In order to confirm/ test whether the principal proposition and three hypotheses are supported or not, the section is organised as follows:

- Current Typical HRM Practices in SFJVs and their Effectiveness;
- The HR-related Managerial Patterns and the Effectiveness of Embedded HRM Practices in SFJVs;
- The Local Managers' HR-related Professional Knowledge and Skills and the Effectiveness of Embedded HRM Practices in Their SFJVs;
- A 'Hybrid' Corporate and the Effectiveness of Embedded HRM Practices in SFJVs.

#### 5.3.1 Current Typical HRM Practices in SFJVs and Their Effectiveness

##### Typical HRM Practices

The quantitative data were used here to examine the current HRM practices in SFJVs,

focusing on the same areas with the previous qualitative study: i.e. recruitment and selection, labour contracts, training and development, reward and recognition, promotion and job rotation, and performance appraisals. In the questionnaire (see Appendix 4), the closed questions C12-C16 and statements C17-C26 using a 5-point Likert scale (1 = strongly agree, ..., 5 = strongly disagree) cover the above practices.

Table 5.3 below outlines the output, indicating whether the respondents either agree or disagree with these statements C17-26 in the questionnaire.

**Table 5.3: One-Sample T-Test (two-tailed) on Typical HRM Activities**

Statements	Mean	Standard Deviation	T Statistic	P Value
C17: The current system for recruitment and selection is effective.	2.1275	0.7267	-12.13	0.000
C18: In general, the company provides all employees with good training opportunities.	2.3235	0.9457	-7.22	0.000
C19: The company provides key employees with overseas training opportunities.	2.353	1.078	- 6.06	0.000
C20: A performance-related pay system has been applied.	2.2843	0.9788	-7.38	0.000
C21: In general, this company offers competitive salary packages	2.5196	0.9306	-5.21	0.000
C22: Non-financial rewards are offered effectively to staff who make outstanding contributions to the work of the company.	2.745	1.059	-2.43	0.017
C23: The same appraisal process is applied to all employees	2.608	1.228	-3.23	0.002
C24: The current appraisal system takes full account of personal strengths and weaknesses	2.4902	0.9621	-5.35	0.000
C25: Your company's promotion procedures are open.	2.441	1.030	-5.48	0.000
C26: The company provides employees with good job-rotation opportunities.	2.8235	0.9483	-1.88	0.063

Notes: 1. N = 102

2. Test of  $\mu = 3$  vs  $\mu \neq 3$

Meanwhile, Table 5.4 below presents data that reveal the main sources of their current labour forces in these SFJVs. In order to conduct a valid statistical analysis by using Chi-squared test, such labour sources in SFJVs had to be regrouped.

**Table 5.4: Main Source of Recruiting SFJV Employees (N = 102)**

Main Labour Sources	Number of the Sampled SFJVs	Re-grouped Labour Sources	Number of the Sampled SFJVs
a. Mainly transferred from the Chinese parent company	20	a) Mainly transferred from the Chinese parent company ('TRA' in short)	20
b. Mainly recruited from the local labour market	54	b) Mainly recruited from the external resources in China ('EXT' in short)	71
c. Mainly recruited graduates from Universities/colleges	3	c) Mixed ('MIX' in short)	11
Combinations:			
a + b	6		
b + c	14		
a + b + c	5		

**Note:** 'a + b' means a combination of No.a and No. b labour sources;

'b + c' means a combination of No.b and No.c labour sources;

'a + b + c' means a combination of No.a, No.b and No.c labour sources.

In order to compare with the qualitative study, the typical HRM activities will be analysed separately as follows.

## Recruitment and Selection

The data showed that a majority of SFJVs strictly required candidates to take a formal job interview before commencing their jobs. On average, the respondents highly agreed with the statement C17 that their current systems for recruitment and selection were effective ( $t(101) = -12.13, p < 0.001$ ). Such agreement was significantly correlated with the age of a SFJV ( $r = -0.231, p < 0.05$ ), but not correlated with foreign ownership ( $r = -0.176, p > 0.05$ ). The SFJVs that have been operating in China for a longer time are more likely to achieve highly effective recruitment and selection activities. More specifically, the outputs of one-way ANOVA test showed that there were no significant differences among the SFJVs with different main labour sources in their mean effectiveness of recruitment and selection ( $F(5, 96) = 1.74, p > 0.05$ ). The results of one-way ANOVA test further demonstrated that the degree of agreement with the statement C17 was also not significantly different among the groups of firm size ( $F(3, 98) = 0.72, p > 0.05$ ), foreign nationalities ( $F(4, 97) = 1.26, p > 0.05$ ), nor across industries ( $F(1, 100) = 0.00, p > 0.05$ ).

Meanwhile, data presented in Table 5.5 below demonstrate the main labour sources in these sampled SFJVs.

**Table 5.5: Main Labour Resources in SFJVs (N = 102)**

Main Labour Resources	Number of the Sampled SFJVs	Percentage (%)
1. Transferring the work force from the Chinese parent company	3	2.94

2. Mainly recruited from the local labour market	49	48.04
3. Selected from the Internal Resource	1	0.98
4. Recruited graduates from Universities/colleges	4	3.92
5. Combinations*:		
1 + 2	2	1.96
1 + 3	1	0.98
2 + 3	19	18.63
2 + 4	11	10.78
2 + 3 + 4	12	11.77

**Note:** \* refers to a combination of the above four approaches. For example '1 + 2' means a combination of. No. 1 and No. 2 approaches.

As presented in Table 5.4, SFJVs' current main labour force were from the various sources. This is consistent with the qualitative finding. When the SFJVs were formed, only 20% of these firms were required to 'absorb' a number of employees transferred from the Chinese partner companies, while previous research showed that a majority of SFJVs had to receive a large number of transferred employees (e.g. Tsang, 1994). Meanwhile, Table 5.5 shows that SFJVs used multiple approaches to employ their new staff. A majority of these investigated SFJVs enjoyed their autonomy to recruit employees from various labour sources. The local labour markets appeared to be the favourite labour pool for SFJVs to recruit new employees. In a small number of cases, the current vacant positions were still filled by transferring employees from Chinese parents. The data in particular revealed that 26 % of investigated SFJVs would be likely to recruit graduates directly from the universities/colleges.

Table 5.6 below provides the output using the Chi-squared test to identify the association between type of industries that SFJVs were operating in and employees' skills (i.e. % graduate). This method is only valid if at least 80% of expected frequencies (Es) are at least 5 and that none is less than 1 (Staines, 1999). Thus, the categories for the statement C3 in the questionnaire have to be combined.

**Table 5.6: Tabulated Statistics: Type of Industries and Employees' Skills**

	0 - 30	31 - 50	51 - 100	All
Manu	38 32.88	22 19.12	18 26.00	78 78.00
Service	5 10.12	3 5.88	16 8.00	24 24.00
All	43 43.00	25 25.00	34 34.00	102 102.00
Chi-Square = 15.694, DF = 2, P-Value = 0.000				
Cell Contents -- Count Exp Freq				

**Notes:** Rows: Type of industries: either manufacturing ('Manu' in short) or service industry;

Columns: Current Employees' skills, i.e. percentage of college/university graduates.

The above table shows that there is a significant association between type of industries and the employee education levels of current employees ( $X(2, N = 102) = 15.694, p < 0.001$ ). The possible association could be interpreted as that SFJVs in the service industry are more likely to recruit people with higher academic degrees than those in the manufacturing industry. There is no significant association, however, between type of industries and main labour sources ( $X(2, N = 102) = 5.435, p > 0.05$ ).

## Labour Contracts

Results presented in Table 5.7 below show that most SFJVs (93.14%) had implemented individual employment contracts. There were, however, fewer examples of collective contracts (50.98%) found in those companies. Only 7 small-sized SFJVs had not yet signed individual contracts with their employees, while this was obviously not in line with the Regulations and Laws. Nevertheless, the survey of 102 SFJVs confirmed the previous qualitative finding suggesting that a majority of firms had developed contract-based employment systems.

**Table 5.7: Labour Contracts (N = 102)**

	Individual Contracts			Collective Contracts		
	Yes	No	Not Yet But Soon	Yes	No	Not Yet But Soon
Number of Sampled SFJVs	95	4	3	52	40	10
Percentage (%)	93.14	3.92	2.94	50.98	39.22	9.80

## Training and Development

The results of one-sample T-Test (two-tailed) presented in Table 5.3 also reveal that, on the basis of perceptions of these HR practitioners, SFJVs were committed to providing all employees with good training opportunities ( $t(101) = -7.22, p < 0.001$ ) and providing key staff with overseas training ( $t(101) = -6.06, p < 0.001$ ). Such results seemed not to support some previous conclusions suggesting that SFJVs were



normally reluctant to invest in their people (e.g. Tsang, 1994). The data also suggested that Chinese managers attempted to learn Western management techniques ( $t(101) = -8.60, p < 0.001$ ). Furthermore, the study presented evidence that business performance as reported by the respondents was positively correlated with providing good training opportunities ( $r = 0.225, p < 0.05$ ) and but was not associated with overseas training programmes ( $r = 0.125, p > 0.05$ ). This was probably because overseas training could only be regarded as a good 'motivator' for a small group of key employees.

The degree of agreement with the statement C18 regarding provision of training opportunities was strongly correlated with the foreign ownership of SFJVs ( $r = -0.351, p < 0.001$ ). The greater the ownership foreign investors had, the more training opportunities were provided for Chinese employees in SFJVs. Such commitment which SFJVs placed on training did not differ significantly among the various sizes of the SFJVs ( $F(3, 98) = 0.55, p > 0.05$ ), nor different foreign nationalities ( $F(4, 97) = 1.66, p > 0.05$ ), nor across different types of industries ( $F(1, 100) = 1.39, p > 0.05$ ). The SFJVs in both manufacturing and service industries provided good training opportunities for their employees. The emphasis on training for local employees was also not correlated with the age of SFJVs ( $r = -0.019, p > 0.05$ ). The data showed that the commitment to training local staff did not seem to be affected by different labour sources ( $F(2, 99) = 2.81, p > 0.05$ ). A respondent commented in the questionnaire: "*the training programmes were particularly important to change transferred employees' traditional ways of thinking, and update their knowledge and skills in order to meet the new requirements in the current SFJV.*" The above findings together provided further evidence to support Lu and Bjorkman's (1997) conclusion suggesting training was

more likely to be compatible between MNC standardisation and localisation than rewards, promotion and performance appraisal.

Surprisingly, the statement C18 describing that SFJVs provided all employees with good training opportunities was not associated with the managers' HR professional knowledge and skills ( $r = 0.12, p > 0.05$ ). This was probably because many firms had provided their employees more with techniques training than management training. With regard to training HR staff in particular, the data showed that only 64 % of respondents had attended formal professional training programmes in the previous years, and fewer had received overseas training. Thus, the quantitative data did not provide strong support to the relevant qualitative finding suggesting management-related training programmes had been widely delivered by SFJVs.

### Rewards and Recognition

The evidence from the quantitative data showed that performance-related pay (PRP) had been widely adopted in the SFJVs ( $t(101) = -7.38, p < 0.001$ ). This did not differ among the different sizes of SFJVs ( $F(3, 98) = 1.53, p > 0.05$ ), various main labour sources ( $F(2, 99) = 0.24, p > 0.05$ ), different foreign nationalities ( $F(4, 97) = 0.77, p > 0.05$ ) nor across industries ( $F(1, 100) = 0.83, p > 0.364$ ). However, the age of a SFJV was significantly correlated with the use of PRP for rewarding employees in the SFJV ( $r = -0.206, p < 0.05$ ). The longer SFJVs were operating in China, the more likely they adopted PRP reward policy. This indicates that SFJVs need time to try to move away from the Chinese traditional practices. Furthermore, in order to compete in the marketplace, SFJVs had made effort to offer their employees a competitive salary

package ( $t(101) = -5.21, p < 0.001$ ). These efforts are, however, not correlated with foreign ownership ( $r = -0.164, p > 0.05$ ), nor firm ages ( $r = -0.006, p > 0.05$ ). It also did not differ among groups of various labour sources ( $F(2, 99) = 1.39, p > 0.05$ ), nor across groups of foreign nationalities ( $F(4, 97) = 1.56, p > 0.05$ ).

As described in Chapter 2, Chinese employees might feel the ‘recognition’ (i.e. non-financial rewards) was an embarrassment - fear influence of ‘red eye disease’. The data, however, showed that SFJVs actually paid attention to providing non-financial rewards for their outstanding employees ( $t(101) = -2.43, p < 0.05$ ). The degree of such agreement with the statement C22 did not differ across industries ( $F(1, 100) = 1.16, p > 0.05$ ) nor among different size groups ( $F(3, 98) = 1.69, p > 0.05$ ). It was not affected by the different labour sources ( $F(2, 99) = 0.55, p > 0.05$ ), and also not correlated with both firm ages ( $r = -0.007, p > 0.05$ ) nor foreign ownership ( $r = -0.060, p > 0.05$ ).

### Promotion and Job Rotation

The data showed that around 21% of sampled SFJVs preferred to fill a job vacancy by selecting /promoting from the internal resources. Such a policy would provide their employees with opportunities for career development. In these respondents’ views, these SFJVs’ promotion procedures were quite open ( $t(101) = -5.48, p < 0.001$ ) which were different from the Chinese traditional ones. Such results did not significantly differ across industries ( $F(1, 100) = 0.30, p > 0.05$ ), nor among firm-size groups ( $F(3, 98) = 0.19, p > 0.05$ ), nor across nationalities of the foreign investors ( $F(4, 97) = 1.47, p > 0.05$ ) nor among various labour sources ( $F(2, 99) = 0.70, p > 0.05$ ). The degree of such an openness of promotion procedures was not correlated with age of firms ( $r = -$

0.036,  $p > 0.718$ ). On average, the respondents neither agreed nor disagreed with the statement C26 that their ventures provided employees with good job-rotation opportunities ( $t(101) = -1.88$ ,  $p > 0.05$ ). This did not differ among the size of the firms ( $F(3, 98) = 0.72$ ,  $p > 0.05$ ) nor across the industries ( $F(1, 100) = 1.38$ ,  $p > 0.05$ ). The degree of such agreement was also not correlated with foreign ownership ( $r = -0.065$ ,  $p > 0.05$ ) nor influenced by different labour sources ( $F(2, 99) = 0.07$ ,  $p > 0.05$ ).

### Performance Appraisal

The data suggested that a majority of SFJVs had established an appraisal system. On average, the respondents agreed with the statement C23 that the same appraisal process was applied to all employees within their SFJVs ( $t(101) = -3.23$ ,  $p < 0.01$ ). There were no significant differences in their strength of such agreement among groups of sizes ( $F(3, 98) = 1.48$ ,  $p > 0.05$ ), nor foreign nationalities ( $F(4, 97) = 1.32$ ,  $p > 0.05$ ), nor different labour sources ( $F(2, 99) = 0.00$ ,  $p > 0.05$ ). Meanwhile, the degree of agreement with the statement C23 was not correlated with foreign ownership ( $r = -0.148$ ,  $p > 0.05$ ).

The current appraisal systems in SFJVs were regarded by these Chinese HR staff as being 'fair' because such systems had taken full account of individual strengths and weaknesses ( $t(101) = -5.35$ ,  $p < 0.001$ ). Furthermore, Table 5.8 below illustrates the output using one way ANOVA to test whether there were differences among the various industries in the strength of agreement with this statement C24.

**Table 5.8: One-way ANOVA for ‘Appraisal System’ Using ‘Type of Industries’ as the Factor**

Analysis of Variance for AppraS					
Source	DF	SS	MS	F	P
Type	1	3.695	3.695	4.12	0.045
Error	100	89.795	0.898		
Total	101	93.490			

**Notes:**

1. ‘AppsaS’ relates to the statement C24: the current appraisal system takes full account of personal strengths and weakness;
2. The column headed ‘source’ indicates the source of variation among student scores. Some of the variation can be explained because a respondent works in a different industry. However, the scores for each respondent within each type of industries vary. This natural variation cannot be explained by knowing in which industry the respondent works and is termed ‘error’. The sum of these two sources is summed to give the total variation.
3. The column headed ‘DF’ indicates the degree of freedom. The total degree of freedom is equal to N-1 (101 in this study). The degree of freedom associated with the factor is one less than the number of the types ( $2 - 1 = 1$  in this example because there are two types of industries, either manufacturing or service industry).
4. The column headed ‘SS’ shows the ‘sum of squares’. The column headed ‘MS’ shows the ‘mean square’, defined as the sum of squares divided by the degrees of freedom. So, in this column,  $3.695 = 3.695$  divided by 1, and  $0.898 = 89.795$  divided by 100.
5. The column ‘F’ shows the value of the test statistic, defined as the mean square of the factor divided by the mean square for error ( $4.12 = 3.695$  divided by  $0.898$  in this example). P value is also presented in the above table ( $p = 0.045$ ).

It can be concluded that there was significant different across industries in the strength of respondents’ agreement with the statement C24 ( $F(1, 100) = 4.12, p < 0.05$ ).

Therefore, the above table shows that SFJVs operating in the manufacturing industry are more likely to take full account of personal strengths and strength during the annual

appraisal programmes. The strength of agreement with the statement C24 was correlated with foreign ownership ( $r = -0.211, p < 0.05$ ), but it was not associated with firms age ( $r = 0.126, p > 0.05$ ). Also, there were no significant differences among firms' sizes ( $F(3, 98) = 2.21, p > 0.05$ ), nor across foreign nationality groups ( $F(4, 97) = 0.64, p > 0.05$ ). Meanwhile, the degree of agreement with this statement was not affected by the differences in labour sources ( $F(2, 99) = 0.21, p > 0.05$ ).

These HR practitioners recognised that SFJVs in both service and manufacturing industries ( $F(1, 100) = 0.65, p > 0.05$ ) had met a great challenge to keep the key employees ( $t(101) = -2.46, p < 0.05$ ). The degree of such difficulties in keeping qualified employees was not correlated with firms' ages ( $r = -0.075, p > 0.05$ ).

### **Effectiveness of Embedded HRM Practices**

Indeed, a research hypothesis has to be testable. In this study, the effectiveness of embedded HRM practices in SFJVs was evaluated along the following dimensions:

- 1) Typical HRM activities as a whole: C55 (the sum of statements from C17 - C26 in the questionnaire), using 'Activities' in short. The results of One-Sample T-Test presented in Table 5.3 revealed that typically the respondents did not disagree with all statements from C17 - 26 in the questionnaire, relating to the typical HRM activities. Then, they had generally positive attitude toward these HRM activities. Although these HRM activities have been integrated as a single item of effectiveness of embedded HRM practices in this study, the results of the 'factor analysis' (see Table 5.9 below) show that there are three interpretable themes

among these variables from C17 to C26. Factor analysis which is a multivariate statistical method can be used for revealing patterns of interrelationships among variables and detecting clusters of variables, each of which contains variables that are strongly interrelated (Agresti and Findlay, 1997). This indicates that it is worth further investigation by treating these interpretable themes individually, since such a study is expected to make a contribution to the literature regarding that various HRM activities may have different responses to MNC standardisation and localisation (Lu and Bjorkman, 1997; Tayeb, 1996).

**Table 5.9: Factor Analysis: HRM Activities**

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Principal Component Factor Analysis of the Correlation Matrix				
Rotated Factor Loadings and Communalities				
Varimax Rotation				
Variable	Factor1	Factor2	Factor3	Communality
R&S	0.108	0.165	-0.685	0.508
Training	0.659	0.127	-0.427	0.632
Overseas	0.565	-0.081	0.003	0.326
Pay	0.686	0.144	-0.259	0.558
Compet	0.670	-0.102	-0.249	0.522
Non-fin	0.023	-0.165	-0.764	0.611
AppraP	-0.217	0.875	-0.060	0.816
AppraS	0.371	0.738	0.043	0.685
Promot	0.715	0.043	0.093	0.522
Rotation	0.700	0.124	0.009	0.505
Variance	2.8712	1.4360	1.3779	5.6852
% Var	0.287	0.144	0.138	0.569
Sorted Rotated Factor Loadings and Communalities				
Variable	Factor1	Factor2	Factor3	Communality
Promot	<b>0.715</b>	0.000	0.000	0.522
Rotation	<b>0.700</b>	0.000	0.000	0.505
Pay	<b>0.686</b>	0.000	0.000	0.558
Compet	<b>0.670</b>	0.000	0.000	0.522
Training	<b>0.659</b>	0.000	0.000	0.632
Overseas	<b>0.565</b>	0.000	0.000	0.326
AppraP	0.000	<b>0.875</b>	0.000	0.816
AppraS	0.000	<b>0.738</b>	0.000	0.685
Non-fin	0.000	0.000	<b>-0.764</b>	0.611
R&S	0.000	0.000	<b>-0.685</b>	0.508
Variance	2.8712	1.4360	1.3779	5.6852
% Var	0.287	0.144	0.138	0.569

---

- 2) The effectiveness of the current HRM system in supporting the SFJV to achieve its competitive advantage in the marketplace, in relation to the statement C44 in the questionnaire, using 'Effect' in short. The item reflects a key HRM outcome at the organisational level. The MINITAB output using one-sample T-test (two tailed) showed that on average the respondents were satisfied with the effectiveness of current HRM practices in supporting their ventures to achieve competitive advantage in the Chinese marketplace ( $t(101) = -3.65, p < 0.001$ ).
- 3) The SFJV business performance in relation to statement C42 in the questionnaire, using 'Performance' in short. This item indicates, as described in the qualitative study, that the effective HRM has been regarded as a result-oriented practice. The result of one-way T-test (two tailed) showed that on average the respondents were satisfied with their ventures' business performance ( $t(101) = -4.95, p < 0.001$ ). This was in line with the growth in business of SFJVs in the Chinese marketplace.

The further discussion concerning the measures of embedded HRM practices can be seen in Section 6.3.1 in Chapter 6. The limitations of using the above three items are further addressed in Section 7.4, and the suggestions for the further research are also provided in Section 7.5 in Chapter 7.

In order to gain a better understanding of the embedded HRM effectiveness in SFJVs, it is necessary to examine the correlation of these HRM activities as a whole ('Activities') and the effectiveness in contributing to the SFJV's competitive advantage ('Effect') as well as the venture's business performance ('Performance'). Table 5.10



below presents means, standard deviations (SD), correlation coefficients for the above three effectiveness items, as the results of the bivariate correlation test.

**Table 5.10: Descriptive Statistics and Pearson Correlation of These Variables**

Variables	Mean	SD	Correlation with	
			Activity	Effect
Activities	24.716	5.090	1.0000	
Effect	2.6961	0.8418	0.451**	1.0000
Performance	2.5392	0.9405	0.283*	0.522**

**Notes:** \*\* Correlation is significant at the 0.001 level

\* Correlation is significant at the 0.05 level

All variables presented in the above table are positively correlated. This is in line with what the author expected and also consistent with findings in the previous studies, suggesting that in general successful HRM activities can enhance organisational performance and competitive advantages (e.g. Cyr, 1996). Such result further shows the appropriateness of selecting the above three items to measure the HRM effectiveness in this study.

In particular, the respondent made additional commented in the questionnaire 71:

*I have work experience in both a SOE and two Sino-foreign JVs...I am currently working at the Chinese-US joint venture. In my view, the 'traditional' or 'old' practices do not mean 'bad' activities, and the 'Western' practices are not always*

*'good' activities in the Chinese context... Rather, both American and Chinese managers need to work together to develop a workable HRM system in this joint venture.*

### **Key Contextual Factors and Their Implications**

A full consideration of the contextual issues and their impact upon HRM practices in SFJVs is far beyond of the scope of this thesis. In order to have more confidence in confirming the research proposition, this section then reports findings regarding some key contextual factors that might affect the development of embedded HRM practices in SFJVs from the Chinese perspective.

It was not appropriate to ask the respondents directly about the contextual influence upon HRM practices in their SFJVs because it might not be capable of being measured or have many facets. Thus, the questionnaire was designed, on the basis of the qualitative study, to ask respondents about related topics through a number of questions/statements (see Appendix 4).

Table 5.11 below provides the output, using one-sample test (two tailed), to show whether the Chinese respondents either agreed or disagreed with the ten statements in the questionnaire regarding the contextual influence.

**Table 5.11: One-Sample T-Test (two tailed): Statements with Likert Scale****Relating to The Key Contextual Factors**

Statements	Mean	Standard Deviation	T Statistic	P Value
C28: In general, the foreign parent company has always forced to conduct its own HRM practices within the joint venture company.	2.569	1.029	- 4.23	0.000
C29: The Chinese parent company has a high level of involvement in HRM within your company	3.275	1.153	2.40	0.018
C33: Chinese culture is a 'barrier' to develop HRM practices within your company.	3.147	1.019	1.46	0.148
C35: The trade union plays an important role within your company.	3.091	0.988	0.75	0.457
C36: The current Chinese government regulations make it difficult to develop HRM policies and practices within your company.	3.2745	0.8462	3.28	0.001
C37: It is becoming more difficult for your company to keep the qualified employees.	2.7647	0.9665	- 2.46	0.016
C38: It is important for the company to put its employees' personal files ('Dang An') under appropriate control	2.4412	0.9073	- 6.22	0.000
C39: It is difficult to recruit the people without local resident permits ('Hu Kou')	2.6373	0.9929	- 3.69	0.000
C41: The company senior managers' support in developing HRM policies and practices	2.5000	0.8175	- 6.18	0.000
C43: The degree of the foreign side understanding of the Chinese context (e.g. culture, law, regulations, etc.)	2.7255	0.9663	- 2.87	0.005

**Notes:**

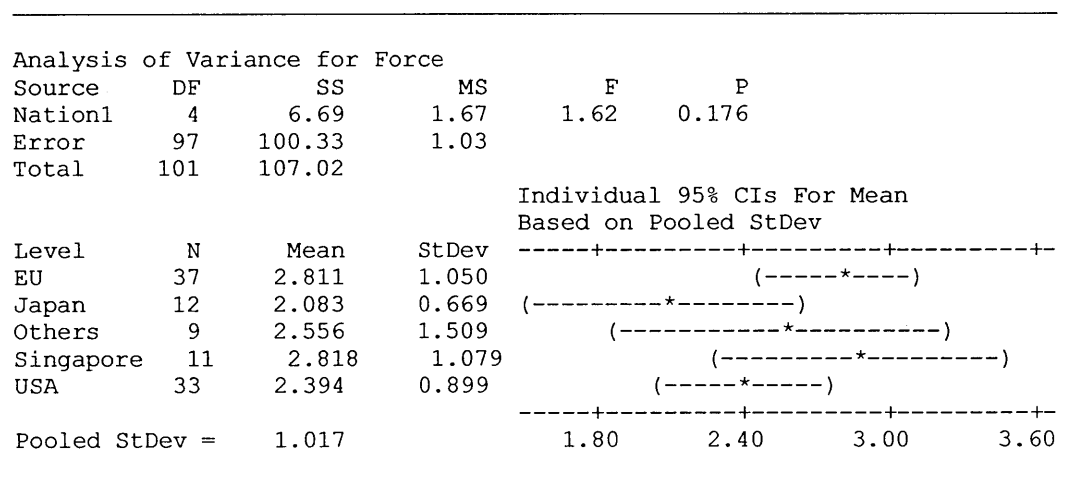
1. N= 102, but N = 66 for C35 because some SFJVs had not set up trade unions yet.
2. Test of  $\mu = 3$  vs  $\mu \neq 3$ .
3. 'C' denotes the statements/questions in the questionnaire (see Appendix 4).

The above table shows that the respondents strongly agreed that the foreign parents had 'forced' the Chinese to conduct their home HRM practices within the SFJVs ( $t = - 4.23$ ,

$p < 0.001$ ). This result was not correlated with the foreign owned equity ( $r = -0.176$ ,  $p > 0.05$ ). Such direct influence was not correlated with the effectiveness of HRM in supporting the firm's competitive advantage ( $r = 0.053$ ,  $p > 0.05$ ), and business performance ( $r = 0.018$ ,  $p > 0.05$ ).

Furthermore, the output (see Figure 5.1 below) using one-way ANOVA demonstrated that there were no significant differences among different nationality groups of foreign investors in the strength of agreement with the statement C28 ( $F(4, 97) = 1.62$ ,  $p > 0.05$ ).

**Figure 5.1: One-way ANOVA for 'Force' Using the Foreign Nationality as the Factor**



**Notes:**

1. 'N' denotes the number of observation of each group. 'Mean' and 'StDev' (standard Deviation) show the summary statistics.
2. The right hand 'diagram' shows the 95% confidence interval.

Thus, in statistical terms, these groups had the common 'mean'. Interestingly, if we look at the means in value's order, Figure 5.1 shows that both Japanese and

American managers seemed to be more likely to 'force' Chinese side to adopt their home HRM practices than managers from EU, Singapore and other countries. Although such differences had not been confirmed to be significant in this study, it at least did not support previous conclusion suggesting that the success of transferring a strategic organisational practice from a parent company was negatively associated with the institutional 'distance' between the countries of the parent company and the recipient unit (see Kostova, 1999: 316). Japan and China share the similar culture root, i.e. Confucian philosophy. This may indicate that 'culture-driven approach' (see Huo and Von Glinow, 1995, Tsang, 1994, etc.) might not work well alone. Rather, it is important to take other key characteristics of the Chinese national business system into account in the research (see Chapter 2).

The respondents, on average, disagreed with the statement C29 that Chinese parents had a high involvement in HRM practices in their SFJVs ( $t(101) = 2.40, p < 0.05$ ). This is consistent with the qualitative finding that Chinese partner and Chinese managers were willing to learn from the West about the 'modern' and 'advanced' management techniques, rather than trying to make 'trouble'. On the other hand, there was a significant negative correlation between the foreign ownership and Chinese parent involvement ( $r = -0.461, p < 0.001$ ). This indicated that from the foreign investors' perspective, they were still concerned about Chinese partners' possibly negative influence. Thus, in the foreign dominant SFJVs, foreign partners would be likely to dominate HRM practices, which was in line with the previous research finding, i.e. ownership played an active role in determining the HRM practices (Lu and Bjorkman, 1997; Killing, 1983).

At the national level, these Chinese HR professionals neither agreed nor disagreed the statement C33 that Chinese culture was a 'barrier' to developing HRM practices in SFJVs ( $t(101) = 1.46, p > 0.05$ ). Such attitude would not change along with whether the respondents received professional training or not ( $F(1, 100) = 0.01, p > 0.05$ ), nor whether they had work experience in a SOE ( $F(1, 100) = 0.05, p > 0.05$ ). The result also did not differ among the respondents' age groups ( $F(4, 97) = 0.95, p > 0.05$ ) nor across academic degree levels ( $F(4, 97) = 1.35, p > 0.05$ ). Chinese attitude is obviously different from what had been perceived by many foreign investors assuming difficulties in coping with the Chinese culture.

Among 102 sampled SFJVs, only 66 firms had been unionised, and another 4 proposed to set up their unions within the firms soon after the investigation. The result of Chi-squared test demonstrated that there was a significant association between 'unionisation' and firm size ( $X^2(3, N = 102) = 15.040, p < 0.05$ ). In the large-sized group (more than 500 employees) there were more unionised firms than those in small-sized group (less than 100 employees). However, the Chi-squared test revealed that there was no significant association between unionisation (C58) and foreign ownership (C52) ( $X^2(2, N = 102) = 3.464, p > 0.05$ ). The results of one-way ANOVA test showed that there were significant differences of firms' age between unionised group of SFJVs and non-unionised group ( $F(2, 99) = 6.79, p < 0.01$ ). This meant that SFJVs that had operated for a longer period were more likely to set up the trade unions than those with shorter appearance in China. In unionised SFJVs, the result of one-sample T test (two-tailed) revealed that respondents, however, neither agreed nor disagreed that the role of the unions was actually important in practice ( $t(65) = 0.75, p > 0.05$ ). This was consistent with the qualitative data and some previous findings (Lu and Bjorkman,

1998) suggesting trades unions in SFJVs were mainly concerned with welfare and organisation of entertainment activities, rather than with counter power bargaining against management. Meanwhile, such unionisation neither made a contribution to the business performance ( $F(1, 100) = 1.52, p > 0.05$ ) nor enhanced the HRM effectiveness of supporting companies' competitive advantage ( $F(1, 100) = 2.98, p > 0.05$ ).

In the previous studies in the West, the Chinese governments were often regarded as bureaucratic organisations that caused a lot of problems for HRM practices in SFJVs (e.g. Child and Lu, 1996). However, the respondents strongly disagreed the statement C36 that the local government regulations made it difficult to develop HRM practices in their SFJVs ( $t(101) = 3.28, p = 0.001$ ). The main reason for these respondents' positive attitude toward current government regulations is probably that they only chose the previous 'planned economic system' as the point of reference based on their own experience and knowledge. Thus it is meaningful to take 'view from China' to study HRM practices in SFJVs.

In statistical terms, respondents agreed that it was still difficult for SFJVs in Beijing to recruit 'talented' people from outside Beijing due to a government control of 'Hu Kou' (the permanent residence permit) ( $t(101) = -3.69, p < 0.001$ ). The result of one-way ANOVA test revealed that the degree of such a difficulty differed among the group of firms' size ( $F(4, 97) = 3.07, p < 0.05$ ). The larger SFJVs were more likely to be given the government's permission to obtain 'Hu Kou' for their key employees. This indicated that the Beijing local government attempted to attract more large-sized SFJVs with larger investments. Such a result did not differ across industries ( $F(1, 100) =$

0.03,  $p > 0.05$ ). Meanwhile, on average, the respondents strongly agreed that it was important for a SFJV to control its employees' 'Dang An' (the personal file) ( $t(101) = -6.22$ ,  $p < 0.001$ ), although it was often regarded as the traditional mean of using 'Dang An' to control employees. On the other hand, the respondents also admitted that it was becoming more and more difficult for their SFJVs to keep qualified employees ( $t(101) = -2.46$ ,  $p < 0.05$ ). According to Cappelli's (1998) theory suggesting that the employee turnover would be determined by the labour market, such a result may provide evidence to indicate that the local labour market has been under fast development from the 'zero' in line with the economic reform (also see Section 2.2.2 in Chapter 2).

At the individual level, data showed that GMs support was vital to develop embedded HRM activities ( $r = 0.468$ ,  $p < 0.001$ ), and also were strongly positively related to the effectiveness of HRM in supporting to achieve competitive advantages ( $r = 0.482$ ,  $p < 0.001$ ) and enhancing business performance ( $r = 0.380$ ,  $p < 0.001$ ). Comparatively, the foreign GMs were regarded as much more supportive of developing embedded HRM practices ( $F(2, 99) = 7.03$ ,  $p < 0.001$ ) than Chinese GMs. In a questionnaire, the respondent particularly highlighted the importance of the general manager's supports by providing additional comments.

Surprisingly, in statistical sense at least, the Chinese respondents were generally satisfied with the degree of the foreign managers' understanding of the Chinese context ( $t(101) = -2.87$ ,  $p < 0.01$ ). Such a result might reflect the emphasis that foreign investors had placed on training and developing their expatriate managers. And this result did not differ among foreign nationality groups ( $F(4, 97) = 0.13$ ,  $p > 0.05$ ).



Thus, there was no convincing sign that Western managers were less likely to understand Chinese contexts than those from Japan and Singapore. The greater degree to which the foreign managers understood the Chinese context, the greater the likelihood of successful development of HRM activities as a whole ( $r = 0.260$ ,  $p < 0.01$ ). The foreign managers' understanding of Chinese context appeared to contribute to developing embedded HRM practices.

The quantitative data had been further analysed by conducting simple linear regression (Pearson Correlation) to determine whether the quantitative variables are associated with each other. For example, the foreign ownership had been identified to have a significant correlation with HRM effectiveness item 'Activity' ( $r = -0.315$ ,  $p = 0.001$ ), but have no correlation with the other two items respectively: i.e. 'Effect' ( $r = -0.120$ ,  $p > 0.05$ ) and 'Perform' ( $r = -0.020$ ,  $p > 0.05$ ). The foreign ownership was associated with the strength of agreement with the statement C41 regarding senior managers' support ( $r = -0.208$ ,  $p < 0.05$ ). Foreign dominated SFJVs were more likely to recruit foreign general managers (see Section 5.3.3) and the foreign general managers were more likely to provide important support to develop embedded HRM practices in the respondents' views. So, both the foreign ownership at the organisational level and GMs' support at the individual level not only had influence upon HRM practices respectively, but also had joint impact upon HRM activities. Such results further demonstrated the complexities of contextual influence, which could not be simply ignored in studying HRM practices in SFJVs.

Meanwhile, some factors, such as 'transferred labour force from the Chinese parent companies', 'local government interruption', etc., had not been regarded by these

Chinese practitioners as practical problems. This might indicate that Chinese managers had a great deal of confidence in offsetting such potentially negative influence. A respondent commented in the questionnaire: *“we understand that it was a great challenge for the joint venture to update and/or change their traditional ideas and norms of these transferred employees in practice...However, we developed a series of specific training programmes for these employees.”* Another respondent emphasised: *“One of the key roles of the HR managers in the SFJVs is to try to obtain government support by establishing and keeping good ‘Guanxi’ with governmental officials.”* Thus, local people can play an active role in developing workable HRM practices under a certain circumstance.

### **Summary of the Proposition Confirmation**

The quantitative results provided further evidence that the ‘Iron Rice-Bowl’ personnel system had been replaced by a contract-based employment system in SFJVs. The HRM activities, such as formal job interviews, investing in people, performance-related pay etc., had been widely adopted in SFJVs. These activities together supported SFJVs to achieve competitive advantage and enhanced their business performance. Such workable HRM practices were not only differentiated from those of the foreign headquarters and those of the traditional Chinese SOEs, but also capable of becoming embedded in the distinctive and evolving Chinese business system. Therefore, the survey generally confirmed the research Proposition, suggesting that SFJVs had been developing embedded HRM practices by moving away from the traditional ‘iron rice bowl’ system.

### 5.3.2 The HR-related Managerial Patterns and Correlation with the HRM Effectiveness

Data presented in Table 5.12 below demonstrate that there were various HR-related managerial ‘patterns’ within the sampled SFJVs. The rows and columns illustrate where the general managers and HR managers came from respectively.

**Table 5.12: The HR-related Managerial Patterns in SFJVs**

GM\HR Manager	Chinese parents	Foreign	Local Labour Market	All
Chinese parents	14	0	7	21
Foreign	27	6	44	77
Local labour market	0	0	4	4
All	42	6	54	102

According to the above table, the various HR-related managerial patterns could be identified and outlined as follows:

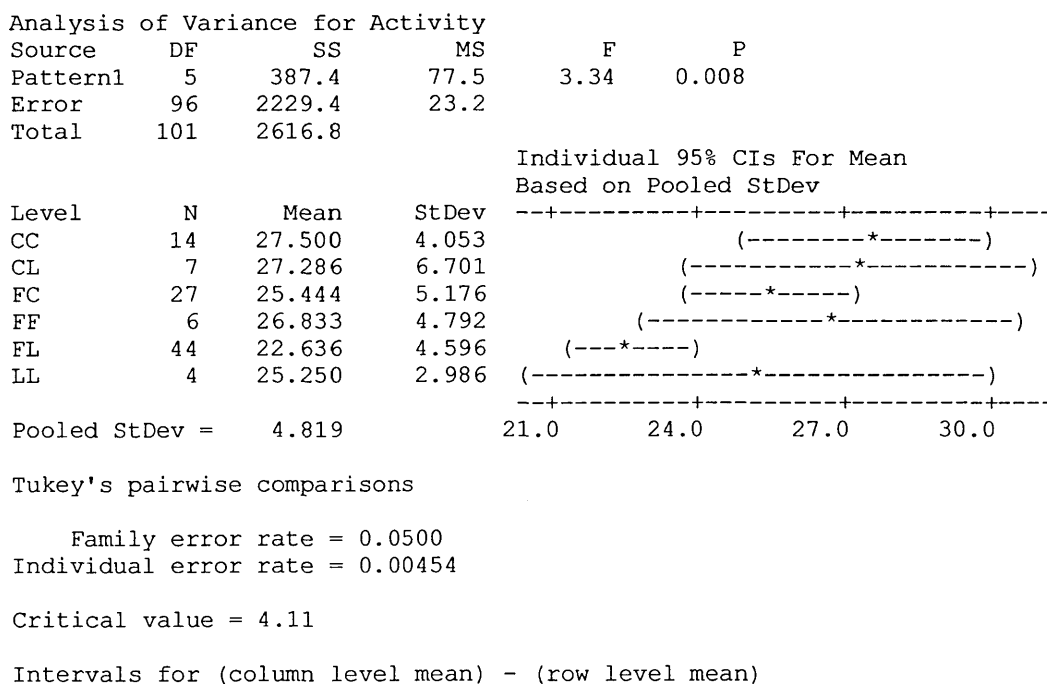
- 1) CC: ‘Chinese GM + Chinese HR manager from Chinese parent companies’;
- 2) CL: ‘Chinese GM + Chinese HR managers from the local labour market’;
- 3) LL: ‘Both Chinese GM and HR manager from the local labour market’;
- 4) FF: ‘Foreign GM + Foreign HR manager’;
- 5) FL: ‘Foreign GM + Chinese HR manager from the local labour market’;
- 6) FC: ‘Foreign GM + Chinese HR manager from the Chinese parent companies’

Among 102 sampled SFJVs, 77 were led by the foreign GMs, and 96 HR manager positions were filled by Chinese professionals. In particular, there were 44 SFJVs among these firms adopting such a pattern: i.e. ‘foreign GM + Chinese HR managers

recruited from the local market.’ (i.e. ‘FL’). Moreover, the firm age had no impact upon the HR-related managerial patterns ( $F(5, 96) = 0.53, p > 0.05$ ). In order to conduct Chi-squared test appropriately, the above HR-related patterns had been re-grouped (see C60 in Appendix 4). The results showed that there was no significant association between the patterns and firm sizes ( $X(2, N = 102) = 4.481, p > 0.05$ ).

In order to test Hypothesis 1, one-way ANOVA tests were used to test whether there were significant differences among the above various patterns in strength of respondents’ agreement with the statements relating to the three HRM effectiveness items (i.e. ‘activity’, ‘effect’ and ‘perform’, see Section 5.3.1). Figure 5.2 below provides the output to reveal that the various HR-related managerial patterns did not have a common ‘mean’ of HRM ‘activity’ ( $F(5, 96) = 3.34, p < 0.05$ ).

**Figure 5.2: One-way ANOVA for ‘HRM Activities’ as a Whole Using the ‘Patterns’ as the Factor**



	CC	CL	FC	FF	FL
CL	-6.269 6.697				
FC	-2.557 6.668	-4.099 7.781			
FF	-6.167 7.500	-7.339 8.244	-7.710 4.932		
FL	<b>0.566</b> <b>9.161</b>	-1.050 10.348	-0.616 6.232	-1.898 10.292	
LL	-5.690 10.190	-6.742 10.814	-7.309 7.698	-7.457 10.623	-9.927 4.700

#### Notes:

1. 'N' refers to the number of observation of each group. 'Mean' and 'StDev' (Standard Deviation) show the summary statistics.
2. The right hand of the second part of the figure shows the 95% confidence interval. Non-overlapping confidence intervals are indicative of two groups that do not have a common mean. For this example, it appears that patterns 'FL' and 'CC' have a different mean.
3. Using Tukey's pairwise comparisons can test this formally. For this example, the outputs in the third part of the figure show the difference between the means of pattern 'FL' and 'CC' lies between + 0.566 and + 9.161. This interval does not include 0. Hence it would be concluded that pattern 'FL' and 'CC' have the different level of general agreement with statement regarding HRM activities as a whole.

Tukey's pairwise comparisons were further used to signify significantly different pairs which would be summarised as:

Pattern Groups	Mean	Signifying pairs
CC	27.500	a
CL	27.286	ab
FC	25.444	ab
FF	26.833	ab
FL	22.636	b
LC	24.000	ab
LL	25.250	ab

**Note:** patterns with the same mark (a or b) are not significantly different.

The above mean values show that an SFJV with the 'FL' pattern is more likely to develop embedded HRM activities than a firm with a 'CC' pattern. 'FF' pattern was not regarded by these Chinese HR managers/professionals from various SFJVs as the 'best choice' in developing effective HRM activities. Many foreign investors might also recognise the advantage of employing the Chinese HR managers, since there were only 6 ventures employing foreign HR managers among 102 sampled SFJVs,

However, the outputs of one-way ANOVA tests (F test) showed that there were no significant differences among the pattern groups in the respondents' agreement with the statements (i.e. C42, 44) regarding both HRM effectiveness in supporting firms' competitive advantage ( $F(5, 96) = 1.13, p > 0.05$ ) and business performance ( $F(5, 96) = 0.77, p > 0.05$ ). The HR-related patterns appeared not to significantly affect the above two items of the HRM effectiveness. The results in particular indicated that foreign-dominated HR-related managerial patterns within SFJVs did not appear to contribute directly to organisational business success. The above results supported the use of above multiple measures of the HRM effectiveness.

Thus, the quantitative data partly support Hypothesis 1: i.e. the effectiveness of embedded HRM practices is affected by the HR-related managerial patterns in SFJVs. The following section turns to testing Hypothesis 2 proposing that the effectiveness of embedded HRM practices is significantly influenced by local managers' HR-related knowledge and skill.

### **5.3.3 Association between the Effectiveness of Embedded HRM Practices and Local Managers' HR-related Professional Knowledge and Skill.**

These quantitative data suggested that the Chinese respondents were generally satisfied with HR-related knowledge and skills of the local managers to develop HRM practices in their SFJVs ( $t(101) = 2.12, p < 0.05$ ). The output, using Pearson correlation, revealed that the degree of such satisfaction with the statement C40 was positively correlated with the three HRM effectiveness items respectively: i.e. 'Activities' ( $r = 0.243, p < 0.05$ ), 'Effect' ( $r = 0.441, p < 0.001$ ) and 'Perform' ( $r = 0.442, p < 0.001$ ). The local managers' HR-related knowledge and skills contributed to enhancing the effectiveness of embedded HRM in SFJVs.

In particular, the respondents' profile (see Table 5.2) also provided evidence that most local HR staff were under 40 years old and well-educated (i.e. a majority of them had obtained college diploma and/or degrees), and 63.7 % of them received HR professional training. This was obviously different from many previous studies in the West (e.g. Jacob, 2001, Tsang, 1994), arguing that Chinese managers tended to be older and less educated while their Western counterparts were young, ambitious MBA-types in their 30s or 40s.

Thus, the above quantitative results provided a strong support to Hypothesis 2 which states the effectiveness of developing embedded HRM practices in SFJVs is directly influenced by local managers' HR-related professional knowledge and skills.

The following section turns to testing Hypothesis 3 suggesting that the effectiveness of HRM practices in a SFJV is significantly associated with a ‘hybrid’ corporate culture.

#### 5.3.4 Correlation of Corporate Culture and the Effectiveness of Embedded HRM Practices

In this study, the following key elements of an SFJV ‘hybrid’ corporate culture, which were extracted from the qualitative data, were examined:

- ‘Change’: Innovation and Change (Statement C30 in the questionnaire);
- ‘Customer’: Customer-oriented Business Philosophy (Statement C31 in the questionnaire);
- ‘Relation’: In Chinese, the word ‘Relation’ (C32) in the questionnaire carries more meaning than English word suggests. Good personal relationship within an SFJV here contains ‘Guanxi’, ‘Saving Face’, ‘Harmony’, and some other key Chinese culture concepts (also see Section 2.2.2 in the literature review chapter, and Questionnaire in Chinese in Appendix 5).

**Table 5.13: One-Sample T-Test (two tailed): Three Elements of a ‘Hybrid’ Corporate Culture**

Statements	Mean	Standard Deviation	T Statistic	P Value
C30: The company encourages innovation and change.	2.2353	0.9458	-8.17	0.000
C31: The company is a very customer-oriented place.	1.8627	0.8792	-13.06	0.000
C32: There are good interpersonal relationship.	2.3529	0.8163	-8.01	0.000

Notes: 1. N= 102,

2. Test of  $\mu = 3$  vs  $\mu \neq 3$ .



The results presented in the above table indicate that respondents strongly agreed the relevant three statements (C30, C31, C32) ( $p < 0.001$ ). Thus, it appeared to have a 'hybrid' corporate culture within SFJVs.

The results of one-way ANOVA test further demonstrated that the foreign general managers were more likely to emphasise firms' change and innovation than Chinese GMs ( $F(2, 99) = 4.44, p < 0.05$ ), and to be customer-oriented than Chinese GMs ( $F(2, 99) = 3.18, p < 0.05$ ) in practice. While there were no significant differences between Chinese GMs and foreign GMs in formulating good internal relationship ( $F(2, 99) = 0.09, p > 0.05$ ). It was consistent with another finding that the respondents on average were satisfied with foreign managers' knowledge in understanding and/or respecting Chinese context (see Table 5.11). Such results also supported that it was appropriate to choose the above three typical elements representing SFJVs' 'hybrid' corporate culture in the study.

Descriptive statistics and Pearson correlation for all six variables relating to a 'hybrid' corporate culture and the effectiveness of embedded HRM practices are provided in Table 5.14 below. This table demonstrates the correlation between three items of the embedded HRM effectiveness and three selected elements of a 'hybrid' corporate culture, based on the quantitative data which were collected from Chinese HR staff in various SFJVs.

**Table 5.14: Mean, Standard Deviation and Correlations among the Variables**

Variables	Mean	STD	Correlation with					
			1	2	3	4	5	6
Change	2.2353	0.9458	1.000					
Customer	1.8627	0.8792	0.468*	1.000				
Relation	2.3529	0.8163	0.443*	0.316*	1.000			
Activity	24.716	5.090	0.617*	0.445*	0.472*	1.000		
Effect	2.6961	0.8418	0.426*	0.264**	0.359*	0.451*	1.000	
Perform	2.5392	0.9405	0.223***	0.054	0.330*	0.283**	0.522*	1.000

Notes: \*  $p < 0.001$

\*\*  $p < 0.01$

\*\*\*  $p < 0.05$

The wide range of correlation for corporate culture items and HRM effectiveness measures (from 0.054 to 0.522) further supports the use of multiple HRM effectiveness measures. It appears that only ‘customer orientation’ is not significantly correlated with ‘business performance’. One possible explanation for this is that satisfying customers requires both tangible and intangible investment for long-term benefits for these alliances which may effect current business performance. Another explanation is probably that such result may indicate the research limitation of using individual perceptions of Chinese HR staff, since marketing managers, sales staff, foreign managers in particular may have different attitude towards the current customer-oriented philosophy and practices. Thus the further research is suggested to use a multiple respondents in order to increase the data reliability (see Chapter 7). Emphasising change and innovation and maintaining good interpersonal relationship

within ventures contributed to both the HRM effectiveness in supporting firms' competitive advantage and their business performance.

There were no significant differences among groups of firm size in the strength of agreement with the statements related to innovation and change ( $F(4, 97) = 0.31, p > 0.05$ ), customer-oriented ( $F(4, 97) = 0.79, p > 0.05$ ) nor internal relationship ( $F(4, 97) = 1.30, p > 0.05$ ). Also, there were also no significant differences across industries in the strength of agreement with the statements relating to innovation and change ( $F(1, 100) = 0.11, p > 0.05$ ), customer-oriented ( $F(1, 100) = 0.03, p > 0.05$ ) nor internal relationship ( $F(1, 100) = 0.02, p > 0.05$ ). So, it was not necessary to control these variables (type of industries and firm sizes) in the following multiple regression analysis.

This hypothesis was further explored by means of multiple regression. The multiple regression analysis used the three elements of a 'hybrid' corporate culture as independent variables ( $X_1$ : 'Change',  $X_2$ : 'Customer',  $X_3$ : 'Relation') and the three HRM effectiveness items as dependent variables ( $Y_1$ : 'Activity',  $Y_2$ : 'Effect',  $Y_3$ : 'Perform'). The model was run three times with each effectiveness item as the dependent variable at a time. Table 15 below gives an example of the output using regression to reveal the relationship between  $Y_1$  and  $X_1, X_2, X_3$ .

**Table 15: Regression Analysis: ‘Activity’ (Y<sub>1</sub>) versus ‘Change’ (X<sub>1</sub>), ‘Customer’ (X<sub>2</sub>) and ‘Relation’ (X<sub>3</sub>)**

The regression equation is

$$\text{Activity} = 14.3 + 2.36 \text{ Change} + 0.976 \text{ Customer} + 1.40 \text{ Relation}$$

Predictor	Coef	SE Coef	T	P
Constant	14.326	1.293	11.08	0.000
Change	2.3577	0.4866	4.84	0.000
Customer	0.9757	0.4948	1.97	0.051
Relation	1.4034	0.5254	2.67	0.009

S = 3.827      R-Sq = 45.1%      R-Sq(adj) = 43.5%

Analysis of Variance

Source	DF	SS	MS	F	P
Regression	3	1181.23	393.74	26.88	0.000
Residual Error	98	1435.52	14.65		
Total	101	2616.75			

**Notes:**

1. N = 102
2. S = 3.827. This is the estimated standard deviation about the regression line.
3. R-sq (adj) = 43.5%. This is R<sup>2</sup> adjusted for degree of freedom. If a variable is added to an equation, R<sup>2</sup> will get larger even if the added variable is of no real value. To compensate this, MINITAB also prints R-sq (adj). This is an approximately unbiased estimate of the population R<sup>2</sup>.
4. T statistic tests (two tailed) reveal that the independent contribution of ‘customer’ to the prediction is small, because p > 0.05.
5. The analysis of variance shows that the null hypothesis of no overall association between the dependent variable and independent variables is rejected because of p < 0.001.

The results of the multiple regression analysis are all displayed in the following Table 5.16 which lists R<sup>2</sup>, adjusted R<sup>2</sup>, F statistic and Significance F, as well as parameters (betas) and significance levels.

**Table 5.16: Results of Multiple Regression Analysis for HRM Effectiveness and ‘Hybrid’ Corporate Culture.**

Variables	R <sup>2</sup>	Adjusted R <sup>2</sup>	F	Significance F	X <sub>1</sub> (‘Change’)	X <sub>2</sub> (‘Customer’)	X <sub>3</sub> (‘Relation’)
Y <sub>1</sub> (Activity)	0.451	0.435	26.88	0.000	2.3577 0.4866)*	0.9757 (0.4948)	1.4034 (0.5254)**
Y <sub>2</sub> (Effect)	0.22	0.196	9.23	0.000	0.27634 (0.09596)**	0.05177 (0.09757)	0.2122 (0.1036)***
Y <sub>3</sub> (Performance)	0.125	0.098	4.66	0.004	0.1385 (0.1136)	- 0.1137 (0.1155)	0.3479 (0.1226)**

- Notes:**
1. N = 102
  2. Correlation coefficients are reported with standard errors (‘SE’) in parentheses
  3. \* Significant at 0.001 (two tailed)
- \*\* Significant at 0.01 (two tailed)
- \*\*\* Significant at 0.05 (two tailed)

As shown in the above table, the multiple regression models with dependent variables (Y<sub>1</sub>, Y<sub>2</sub>, Y<sub>3</sub>) are all significant at  $p < 0.01$ . The results showed that, from the Chinese view, emphasising good interpersonal relationship would positively affect the effectiveness of HRM practices in SFJVs. ‘Innovation and change’ had strong impact upon both HRM activities as a whole ( $p < 0.001$ ) and effectiveness in supporting SFJVs to achieve their competitive advantage ( $p < 0.01$ ). However, this element was not seen to have significant impact upon these ventures’ business performance ( $p > 0.05$ ). This indicated that innovation and change might not immediately bring SFJVs with high performance. Rather, they were important for SFJVs to achieve a long-term success. The ‘customer-orientated business philosophy’ seemed not to make a significant

contribution to the effectiveness of HRM practices in SFJVs. The above results together might probably indicate that these SFJVs had not met very strong competition in the current Chinese marketplace. Thus, some key issues for the business survival and success in the Western countries, such as ‘customer-oriented’, ‘innovation and change’, etc. might not be always made the priority by these ventures in practice. Nevertheless, we can conclude from these data that Hypothesis 3, suggesting that embedded HRM practices are significantly associated with a ‘hybrid’ corporate culture, is partly supported.

## 5.4 Conclusions

Chapter 5 has attempted to examine whether the following four research proposition/hypotheses would be supported or not based on a wider coverage (see the following table 5.17).

**Table 5.17: Results of the Quantitative Research**

Proposition/Hypotheses	Results
<b>P.</b> SFJVs have been developing effective HRM practices by moving away from the traditional ‘iron rice-bowl’ system to an embedded system.	Generally Supported
<b>H1:</b> The effectiveness of embedded HRM practices is affected by the HR-related managerial patterns in SFJVs.	Weakly Confirmed
<b>H2:</b> The effectiveness of HRM practices in an SFJV is directly influenced by the HR-related professional knowledge and skills of the local managers.	Strongly Confirmed
<b>H3:</b> The effectiveness of HRM practices in an SFJV is positively associated with the degree to which the SFJV ‘hybrid’ corporate culture is generally supportive of change and innovation, customer-oriented philosophy and internal atmosphere of ‘harmony’.	Confirmed

The quantitative data strongly support the above research proposition. The evidence has shown that current HRM practices in SFJVs were unique, and were differentiated from both traditional Chinese personnel management (i.e. 'iron rice-bowl') and Western standardised HRM practices (see Lu and Bjorkman, 1997). The embedded HRM practices may not be in line with Western 'best practice', but they are workable in the Chinese context.

Furthermore, the research proposition in particular emphasises influence of contexts at the national, industrial, organisational and individual levels and suggests that the embedded HRM practices can only be developed successfully according to each SFJV's specific contexts. These data showed that the impact of contextual factors upon HRM practices was complicated. The degrees of such impact varied significantly. Some factors might have joint effects in practice. Also, the influential factors which concerning Chinese practitioners in practice might not exact in line with what foreign investors' were concerned. Thus, SFJVs are urged to develop embedded HRM practices on a case-by-case basis.

More specifically and practically, Hypotheses 1 and 2 were developed to reveal the relationship between the effectiveness of embedded HRM practices and two key successful factors: i.e. HR-related managerial patterns and local managers' HR-related knowledge and skills.

Overall support for Hypothesis 1 seemed to be relatively weak. On the one hand, the HR-related managerial patterns were significantly correlated with the degree of agreements with the statements regarding HRM activities as a whole. Adopting

‘foreign GMs + Chinese HR managers from the local labour market’ pattern has become the hot favourite in SFJVs. On the other hand, in a statistical sense, the patterns seemed not to make immediate contributions to the effectiveness of HRM in supporting SFJVs’ competitive advantage and their business performance since such correlations were not significant. Thus, Hypothesis 1 needs to be treated with some caution. Nevertheless, this hypothesis may contribute to the literature regarding the managerial resources for SFJVs and staffing SFJVs (see Chapter 2).

Hypothesis 2 has been positively supported since the statistical relationship was strong. The hypothesis highlighted that local managers could play active role in developing embedded HRM practices in context.

The effectiveness of embedded HRM practices in a SFJV has been confirmed to be generally associated with a ‘hybrid’ corporate culture. However, the influence of individual elements of a ‘hybrid’ corporate culture upon HRM practices might vary significantly. Thus, Hypothesis 3 was partly supported. This hypothesis may contribute to the literature regarding the relationship between HRM practices and a corporate culture. SFJVs’ managers were urged to nurture and formulate a favourite ‘hybrid’ corporate culture which would be helpful to develop embedded HRM practices in their ventures.

Meanwhile, SFJVs’ corporate culture could also be regarded as a contextual factor at the organisational level (Kostova, 1999). Thus, Hypothesis 3 further supports Proposition, urging SFJVs to develop embedded HRM practices by taking complicated contextual influence into accounts.



In summary, all four research proposition/hypotheses have been confirmed with various levels of confidence. The above results were significant and helpful to achieve the research objectives. On the other hand, the author understood that these statistical results were based on the individual perceptions of Chinese HR managers/staff in SFJVs. Further research, collecting data from multiple parties, will be suggested in Chapter 7 in order to obtain more interesting findings in the future. The following chapter turns to further discussion of both qualitative and quantitative results on the basis of the literature review before drawing the research conclusions.

## **CHAPTER 6: DISCUSSION**

### **6.1 Introduction**

As stated in Chapter 1, the aim of the research is to contribute to both theory and practice on how HRM actually operates in SFJVs. The research results suggested that Chinese managers often did not use the same constructs as Western researchers did (also see Osland, 1994). In particular, Chinese practitioners had institutionalised views towards IHRM practices in SFJVs which might influence their actions, and then shape IHRM practices. However, the ‘view from China’ and its implications for IHRM practices in SFJVs remain underdeveloped in the literature (see Chapter 2). Therefore, the empirical study looked from the perspective of the Chinese HR managers/professionals at how HRM practices have developed in SFJVs. Based on the qualitative findings, four research proposition/hypotheses were generated in Chapter 4, and Chapter 5 then presented and analysed the quantitative data in order to confirm/test these proposition/hypotheses. The rationale for using both qualitative and quantitative techniques was to triangulate results in order to gain a clearer picture of ‘truth’ (see Section 3.3.2 in Chapter 3).

This chapter now turns to further discussing the research results in relation to the literature and the four research proposition/hypotheses before drawing the research conclusions. In the following Section 6.2, SFJVs are generally urged to develop workable HRM practices, which are embedded in the Chinese national business system and fit with surrounding environments at the industrial, organisational and individual

levels. Section 6.3 then focuses on enhancing the effectiveness of embedded HRM practices in SFJVs in order to make the research more practical.

## **6.2 Developing Embedded HRM Practices in SFJVs in the Chinese Changing Context**

This section addresses the research problem concerning the development of HRM practices in SFJVs. Thus, the research proposition is placed at the centre of the discussions in the section:

**P.** *SFJVs have been developing effective HRM practices by moving away from the traditional 'iron rice-bowl' system to an embedded system.*

Section 6.2 is, therefore, structured as follows:

- HRM Practices in SFJVs and National Embeddedness
- A Universal HRM Model among SFJVs ?
- Developing Embedded HRM Practices in SFJVs in Contexts

### **6.2.1 HRM Practices in SFJVs and National Embeddedness**

HRM has been increasingly seen as contributing to the competitive advantage of SFJVs in the Chinese marketplace. The results showed that the Chinese traditional 'Iron Rice-bowl' system had been mostly replaced by more flexible labour-contracts based employment systems. Under such a market-oriented system, the typical Western HRM practices, such as recruitment and selection, training and development, rewards and

recognition, promotion and job rotation as well as performance appraisal, had been widely developed in order to enhance SFJVs' competitive advantage and business performance.

Previous research showed that most local partners preferred to transfer their own staff to take over vacant positions in SFJVs rather than leave these places to those 'external' people (see Lu and Bjorkman, 1998; Tsang, 1994). Both qualitative and quantitative data, however, suggested that a majority of SFJVs now enjoyed the autonomy to recruit and select new staff from the local labour market according to their own standards and requirements. In general, these Chinese HR staff thought that their SFJVs had been committed to training local employees in order to improve their technical and operational skills, but less effort had been made to develop local managers. Tradition and evidence from the 1980s suggested that the collectivist nature of Chinese society would lead to employee rewards based on collective concerns rather than individual performance (Ding et al., 1997). The implementation of PRP in most sampled SFJVs therefore reflected influence of the transition to a market economy and changing nature of Chinese culture. The differences in salary levels probably represented recognition and reward of greater skills, commitment and performance of employees. But such PRP activities did not indicate that there was no legacy of the traditional management systems and ideas impacting upon the current HRM practices. In China, attempts to introduce individually based pay still encountered some difficulties relating to culture concerns (Lu and Bjorkman, 1998). Many SFJVs made efforts to offer competitive salary packages in order to attract and develop qualified employees. Aside from the financial bonuses, Chinese staff in some SFJVs could sometimes be rewarded by offering them the possibility of training abroad in the countries of foreign partners.

Training local personnel abroad might, however, increase the danger of losing them afterwards (see Tsang, 1994). Many SFJVs had actually experienced difficulties in keeping their key employees. Although SFJVs had made efforts to develop effective appraisal systems, there were unlikely to implement a fully standardised Western performance appraisal system (also see Lindholm et al., 1999: 149). Some SFJVs had not even established a formal appraisal system yet. In summary, although many personnel policies and practices in SFJVs had been substantially changed, 'fully fledged' HRM seemed still far away (also see Warner, 1997).

The research on HRM practices in SFJVs had been advanced by recognising the contextual influences. The research proposition highlighted that successful development of HRM in SFJVs was dependent on identifying and understanding key influential contextual factors at various levels. A full exploration of all contextual factors was beyond the scope of this study, but the results showed the complexity of contextual influence (also see Ferner, 2001) at least from the following aspects:

- there were a large number of individual influential factors at the national, industrial, organisational and individual levels, among which a joint impact upon HRM practices might exist;
- the degree of their influence on HRM practices differed largely; also the impact of a contextual factor upon different HRM activities varied significantly;
- Chinese managers had somewhat different views and sensitivity towards contextual influences. For example, some factors which were often discussed in the literature, such as 'parent goals', 'partner selection', etc. (see Chapter 2), had not even drawn these HR managers/professionals' attention. Also, the Chinese HR professionals seemed to have a great deal of confidence in dealing with some contextual

difficulties which often concerned Western practitioners in practice, such as ‘local government intervention’, ‘Chinese partner involvement’ and so on. Contrary to Lu and Bjorkman’s (1998) conclusion, the data showed that HRM practices in SFJVs were not limited by the intervention of Chinese governments from the Chinese perspective. Rather, the government management was not unnecessary since there were also many ‘loopholes’ in practice. For examples, some SFJVs had not signed labour contracts with their employees, and some had not been unionised yet. China’s government had become increasingly concerned about growing lawlessness and/or ignoring the existing laws in the business society (*People’s Daily*, 20 Dec. 2000).

The research proposition not only supports previous studies (e.g. Ding et al, 1997), suggesting that SFJVs have been moving away from the traditional ‘Iron Rice-bowl’ system, but also explores ways of developing HRM practices by defining embedded HRM practices in SFJVs (see Section 4.3 in Chapter 4). Based on both qualitative and quantitative data, this study has concluded that current HRM practices in SFJVs were differentiated from either traditional Chinese personnel management practices (i.e. ‘iron rice-bowl’ system), which were rooted in the planned economic system, or the standardised Western ‘best practice’, which were embedded in the Western business systems.

Furthermore, the findings resonate with the business systems literature (e.g. Ferner, 2001; Kostova, 1999; Whitley, 1992) and provide evidence to contribute to the literature in institutionalist predictions on the embeddedness of HRM practices in the

host-country business system. A full consideration of the issues is far beyond the scope of the thesis, but the following points are worthy of note:

### National Embeddedness of HRM Practices in SFJVs

These research findings would appear to lend some support to the institutionalist assertion that country-contextual factors tend to play a considerable role in shaping HRM practices (also see Ferner, 2001). The perceived Chinese institutional factors, such as Chinese culture, national economic reform, local labour market, higher education system, relevant laws and regulations and so on, exert considerable influence upon HRM practices in SFJVs. And, the degree of contextual influence varied significantly.

Although Western HRM, as a systematic framework and/or principle, has been becoming widely acceptable to Chinese employees in many SFJVs, the cultural differences still appeared to be a remaining main concern for Chinese HR managers/professionals in SFJVs. Central features of Chinese culture were still found to have an impact implementation of HRM. Notions such as ‘Guanxi’, ‘face’, etc. (see Chapter 2) were still influential in Chinese attitudes and behaviours in the current SFJVs. Some cultural chasms seemed to be too wide to bridge. Many Chinese managers strongly disagreed with the statement suggesting that Chinese culture was a ‘barrier’ to developing embedded HRM system in SFJVs. The Chinese have an old saying: “if the vinegar bottle is half-full, it makes the most noise.” This means people who only understand a little bit of Chinese culture tend to be those who make the most complaints about Chinese people. Although the data revealed that foreign corporate

parents had made good progress to develop their expatriate managers to understand more about China and Chinese people, careful design and implementation of individual HRM activity would be still required. Learning about other cultures may allow managers to be sensitive to other people and their perspectives. This is not only helpful at a personal level, it additionally has the potential to enhance SFJV organisational performance through embedded HRM practices.

Excessive labour turnover creates an unstable workable, increases HR costs and reduces organisation effectiveness (Cooke, 1997). As discussed earlier, the results suggested that a high employee turnover provided a real problem to these SFJVs (also see Tsang, 1994). It has been often regarded in the West that such a problem was caused by the distinctive characteristics of Chinese culture, such as ‘flexibility’, ‘short-term orientation’ (see Section 2.2.2 in Chapter 2). Therefore, previous advice to firms had included HRM solutions in coping with such a cross-cultural challenges (Cooke, 1997; Fisher and Yuan, 1998). However, it is unlikely that such simple solutions will meet the demands of an increasingly complicated and more mobile labour market in China. The newer contract-based employment relationship has dramatically changed the way in which employees have to be managed in SFJVs. Therefore, it is necessary for both researchers and practitioners to rethink the labour contracts between SFJVs and their key employees in order to develop a ‘new deal’ (Cappelli, 1998) for managing the market-driven workforce. The fundamental characteristic of the ‘new deal’ between employees and employers is that the relationship is no longer governed by internal HRM policies and practices (Cappelli, 1998). Although the labour market reform as a whole in China is still developing (see Section 2.2.2 in Chapter 2), market-driven labour forces in central cities, such as Beijing, have been emerging and developing



quickly. Practical concerns for key employee turnover sounded alarm that the labour market in Beijing at least may have been dominate.

The results suggested that the development of workable HRM practices in SFJVs was mainly driven by increasing competition in the marketplace, coupled with foreign investors' influence. Facing HRM challenge in the transitional economy, Western HRM frameworks and techniques could be valuable. There are, however, no convincing signs that HRM practices were moving in the direction of so called 'Westernisation'.

The results further revealed that the Chinese business system was distinctive, since it also contained the following unique elements: i.e. 'Dang An' (the personal files), 'Hu Kou' (the permanent residence permit) and Chinese trade unions within SFJVs (see Chapter 2).

### MNCs' IHRM Strategy: Isomorphism vs. Differentiation

The reproduction in overseas operations of MNCs' domestic behaviour has been labelled cross-national 'isomorphism', and the adoption of different behaviour has been called 'differentiation' (Ferner, 2001). Isomorphism or differentiation within the MNC may reflect the choice of corporate decision-makers according to their strategic orientations: i.e. ethnocentric, polycentric, regiocentric and geocentric (see Table 2.2 in Chapter 2). On the one hand, differentiation frameworks prevent MNCs from behaving in the same way as at home (see Lu and Bjorkman, 1997). On the other hand, isomorphism reflects the impact of globalisation in encouraging convergence

between different national contexts, and promoting ‘homogenisation’ of ways of diffusing home HRM practices within the international economy (Ferner, 2001).

There was evidence of institutional isomorphism as SFJVs ‘copy’ the framework of Western typical HRM activities and some ‘advanced’ techniques; but there were no convincing signs that Chinese managers intended to learn and practise these HRM techniques without considering their own ways of thinking and behaving as well as the surrounding contexts. For example, job interviews as a widely adopted recruitment method in the West had been used in most SFJVs. However, this did not indicate that quality of interviewers, interviewing questions, ways of conducting interviews and criteria for decision-making were strictly in line with a Western style. Chinese managers might approach the solution from a different angle, even though they shared the same work goals in terms of developing embedded HRM practices.

Furthermore, critics of universalism in the IHRM literature argued that, although MNCs were an important force for cultural convergence, there was a need to recognise cultural divergence and for ‘thinking locally’ (Tayeb, 1992). Though competition between national systems at the international level leads to diffusion of practices, it does not necessarily promote convergence, since borrowing is integrated into pre-existing and nationally distinctive complexes of business practice. However, with the growing integration of the international economy, national systems have become increasingly intertwined, resulting in more systematic mutual influence (Ferner, 2001). As a consequence, there appears to be a complex pattern of both convergence and differentiation at different levels. As discussed in Section 2.4 in Chapter 2, HRM principles and framework were universal, but contingencies and firm-specific factors

might not be generalisable (also see Becker and Huselid, 1998). SFJVs may be urged to go beyond a simple competition between the contingency and universalistics (also see Wood, 1999).

#### Diffusability vs. Acceptability

More specifically, the institutional ‘distance’ between different business systems, which is likely to influence the relative weight of isomorphism and differentiation, has been regarded as a key aspect of diffusability (Ferner, 2001). Kostova (1999) proposed that the success of transfer of HRM practices from a parent company to a recipient unit is negatively associated with the institutional ‘distance’ between the countries of the parent company and the recipient unit. Some previous studies had provided evidence that ‘cultural differences’ between Chinese and Western countries might cause the practical problem for HRM practices in SFJVs (Nowak, 1997; Tayeb and Pollard, 1996; Tsang, 1994, Venis, 1983). However, the institutional ‘distance’ may have multiple dimensions - not only ‘cultural difference’ but also “a country’s position in the international economy”, ‘political distance’ and so on. The use of any single of dimension may be misleading discussion.

Furthermore, the results of the empirical study showed that, on average, foreign parent firms were likely to try to dominate HRM policies and practices in their SFJVs. Not only have US investors attempted to transfer their ‘Americanness’ (also see Osland, 1994; Tu and Jones, 1991; Von Glinow and Teagarden, 1998), but also have Japanese firms. These Japanese firms were more familiar with the Chinese culture, but tried to force the Chinese managers to develop Japanese own HRM models. The technical

explanation based on the qualitative data is that USA managers might have less intention to learn from the developing country and Japanese managers believed that they already knew enough how to manage Chinese due to a similar culture and a long history of 'intervention' (also see Zhu and Warner, 2000). Essentially, such results provided further evidence to support the 'dominance' effect (Smith and Meiksins, 1995) which related to a country's position in the international economy. Moreover, it was found in the qualitative study that foreign managers in SFJV8-Manu-Brazil met with subtle resistance in developing their home practices, because Chinese managers thought that these foreign counterparts were just coming from another developing country. Therefore, there would be a risk to draw an unreliable conclusion if only single dimension, such as 'culture difference', was used in such a study. Thus, the 'cross-cultural approaches' (see Huo and Von Glinow, 1995; Mead, 1995) to cope with such international management need to be applied in practice based on a wider understanding of the surrounding environments at various levels and their changing nature.

The Chinese economy is under transition from the previous strictly planned system towards a market-oriented system. So a new business system has not yet been well developed. However, western countries are often regarded as having well regulated economies (Ferner, 2001). A common belief is that there is a danger of attempting to transplant HRM practices from a well-regulated business system into a less-regulated one (Ferner, 2001). Therefore, the American system does not represent some vision of a universal business model to which the less-developed Chinese business system should aspire. This is consistent with some previous research conclusions (e.g. Fatehi, 1996).

In summary, this empirical research provided some support for the institutionalist predictions on the embeddedness of HRM practices in the national business systems of the host country in which the IJVs operate. The results suggested that embedded HRM practices in SFJVs would continue to evolve into a unique SFJV model, which can neither be described as an adaptation, as convergence theorists predict (e.g. Tu and Jones, 1991), nor as a 'hybrid' model, which the comparative literature suggests (e.g. Ding et al. 1997; Goodall and Warner, 1997). Roots of the Goodall and Warner (1997) model (see Figure 2.2 in Chapter 2) can be traced to oversimplified beliefs that HRM development in SFJVs is a 'process' of so called 'Westernisation', and a 'hybrid' HRM mode is at a stage of such a progress. Instead, SFJVs should develop a workable HRM system that is embedded in the Chinese national business system, although it may not be regarded as 'best practice'. Such a unique HRM model itself is still at a transitional stage in line with the continuing economic reform.

### **6.2.2 A Universal HRM System among SFJVs ?**

The above so called 'unique' HRM model leads to a further consideration whether or not there is an universal way of developing HRM practices among SFJVs. There was a debate on this issue in the literature (see Section 2.4 in Chapter 2). Some researchers had attempted to generalise so called 'SFJVs HR practices' (Lu and Bjorkman, 1997); on the other hand, some others questioned such a generalisation of HRM practice in SFJVs (see Goodall and Warner 1997; Huo and Von Glinow, 1995; Wang and Satow, 1994)

Both the qualitative and quantitative data showed that there was no ‘homogenous’ system of HRM across various SFJVs, since the degree of HRM development varied from activity to activity in each sampled SFJV and also from one SFJV to another. Also, firm-specific aspirations and internal resources entered into the design and operation of HRM policies and practices in SFJVs.

In summary, the embedded HRM practices in SFJVs are not only differentiated from both those with the Western-style and the Chinese traditional ones, but also there is no universal system which is suitable to various SFJVs. Instead, such embedded HRM practices in an SFJV can only be successfully developed based on its own external and internal environments. HRM practices in SFJVs must not only be imbedded in the distinctive Chinese national business system, but also ‘fit’ SFJVs’ surrounding environments at the industrial, organisational and individual levels to make the HRM system workable. Thus, an SFJV is urged to be aware of the importance of making HR-related decisions and taking action according to its specific conditions based on generalizable and/or universal principles/frameworks (also see Wood, 1999).

### **6.2.3 Developing Embedded HRM Practices in SFJVs in Contexts**

It appeared that Chinese environments in which SFJVs had to be embedded were distinctive. In essence, the influence of contextual factors at various levels upon HRM practices in SFJVs is both significant and complicated. The way in which human resources are managed must be sensitive to the environment (also see Lindholm et al. 1999: 145). Further discussion is then taken forward by considering to urge SFJVs to develop embedded HRM practices in order to be successful in a Chinese changing

context. The features of so called embedded HRM practices have been discussed in Chapter 4, based on the perceptions of these Chinese key informants. In summary, Chinese HR managers/staff believed that the embedded HRM practices should be workable and/or 'best outcomes'-oriented, rather than a simple copy of Western 'best practice' or a slightly changed mode of 'iron rice-bowl' systems.

Studying HRM out of context may be misleading. The surrounding environments have impacts upon HRM practices, to differing degrees, in many prospects. In order to develop embedded HRM practices, SFJVs must be continuing to monitor and improve HRM practices according to changes of external and internal environments. An effective HRM system should be embedded in the Chinese national business system, and rooted in the industrial, organisational and individual contexts. The dynamic of the Chinese business environment leads to the evolution of HRM system over time in order to achieve 'best-fit' among them. The data showed that the average age of SFJVs was only 7.3 years old. No doubt, these young firms themselves need more time to overcome the ongoing traditional negative legacy and develop embedded HRM practices by continuously learning and practising. The longer the timing of implementation, better results might be achieved. Meanwhile, we need to identify precisely and deeply what the differences are between the HRM practices in SFJVs and the traditional Chinese ones (i.e. 'iron rice-bowl') as well as standardised Western ones (see Lu and Bjorkman, 1997). Being either over critical of the traditional ones or ignoring the changing nature of the contexts may lead one to fall in the trap of predicting a 'process' of 'Westernisation'. It is rather misleading to put HRM practices in SFJVs in an overly static context. Managers therefore need to come to terms with contextual influences in order to make sense of ongoing developments of HRM practices in SFJVs. However,

this does not indicate that managers can only ‘passively’ seek for a ‘fitness’. Instead, managers can also ‘actively’ respond to contextual influence in order to enhance the effectiveness of embedded HRM practices. For example, one of the practical concerns for foreign managers was that the transferred employees from the Chinese parent firms were reluctant to give up their old practices in the previous SOEs, and they even reinforced each other (see Tsang, 1994). However, the research results did not provide convincing evidence to support such a finding that the main labour sources had significant impact upon HRM practices. This may indicate that such a problem could be solved appropriately by staffing and developing qualified managers. In turn, embedded HRM practices may motivate Chinese qualified employees in every functional area to perform at their best and contribute the overall growth of the ventures (also see Li, 2000).

### **6.3 Enhancing Effectiveness of Embedded HRM Practices in SFJVs**

As discussed above, the empirical study has made a contribution to the literature on HRM development in SFJVs and the institutional theory. The research results should convince both academics and practitioners of the need to develop embedded HRM practices in SFJVs. In the operational sense, the studies also attempted to provide managers with some practical guidance to enhance the effectiveness of embedded HRM practices in SFJVs from the Chinese perspective. Thus, Section 6.3 places the following three research hypotheses at the centre of discussions:

***H1:** The effectiveness of embedded HRM practices is affected by the HR-related managerial patterns in SFJVs.*



*H2: The effectiveness of embedded HRM practices in an SFJV is directly influenced by the HR-related professional knowledge and skills of the local managers.*

*H3: The effectiveness of embedded HRM practices is positively associated with the degree to which the SFJV 'hybrid' corporate culture is generally supportive of change and innovation, customer-oriented philosophy and internal atmosphere of 'harmony'.*

The section starts by further clarifying HRM effectiveness measures in the study, and then discusses enhancement of effectiveness of embedded HRM practices by staffing and developing SFJVs' management teams, relating to Hypotheses 1 and 2. In particular, the section highlights the importance of formulating a 'hybrid' corporate culture for a SFJV in supporting embedded HRM development, which is related to Hypothesis 3.

### **6.3.1 Measures of Embedded HRM Effectiveness**

In order to make the above three research hypotheses testable, effectiveness should be measurable in the quantitative study. The effectiveness of embedded HRM practices can be examined along various dimensions. It is beyond the scope of this study to take them all into account.

This section attempts to further address the issues concerning the measures of embedded HRM practices in this study, following the previous descriptions in

Section 5.3.1 in Chapter 5. According to the characteristics of embedded HRM practices (see Chapter 4), the following three items, which had been extracted from the qualitative study, were used in the quantitative study to measure the effectiveness of embedded HRM practices in SFJVs. Such effectiveness was particularly examined from the Chinese perspective in this study.

#### 1) Typical HRM Activities as a Whole

The degree of agreement with the questionnaire statements C17-26 regarding HRM activities, including recruitment and selection, training and development, rewards and recognition, promotion and job rotation, performance appraisal, might directly reflect these Chinese HR managers/professionals' views towards HRM activities at the operational level. Thus, the HRM effectiveness could be measured by examining perceptions of how well the HRM function was generally performing. In the quantitative study, the above HRM activities have been integrated together as a single item of HRM effectiveness. The limitations of such an integration have been pointed out earlier (see Section 5.3.1), and be further addressed in Section 7.4 in the conclusion chapter.

#### 2) Supporting SFJVs to Achieve Competitive Advantage

A strategic approach to HRM provides competitive advantage proactively through its human resources (Richard and Johnson, 2001; Osbaldeston and Barham, 1992; Schuler and MacMillan, 1984). HRM is even regarded as 'driver of competitive advantage' (Wood, 1999). Thus, embedded HRM is expected to support the SFJV to achieve its competitive advantage (Dowling et al. 1999). During the qualitative interviews, HR managers particularly highlighted that HRM practices must

contribute to achieving firms' competitive advantage. In the following questionnaire survey, respondents were then asked to describe their general views toward effectiveness of current HRM activities in supporting firms to achieve competitive advantage in the marketplace by ranking the statement C44 (see Appendix) based on a five-point Likert scale. The study only covered the above typical HRM activities, in which some HR functions, such as teamwork, empowerment, communications, work-force productivity had been excluded. Therefore, asking about respondents' perceived effectiveness of HRM practices in supporting business success in general terms increased the research validity.

### 3) Business Performance

There is no doubt that one of critical criteria for embedded HRM system is to find out whether it contributes to the SFJVs' business performance (Li, 2000; Yan and Gray, 1994). Many researchers have recognised that IJVs will gain by utilising and developing appropriate HRM policies and practices to enhance business performance (Dowling, et al. 1999; Guest, 1997). In order to reflect such 'best result'-oriented characteristics of embedded HRM practices (see Section 4.3 in Chapter 4), SFJVs' business performance could be used as one item of HRM effectiveness at the organisational level. Also, this selected item may encourage SFJVs to achieve an excellent outcome (also see George and Jones, 1996: 495), and as a result, both foreign managers and Chinese employees need to behave in certain ways as they pursue organisational goals.

Performance is a multidimensional construct that may mean different things to different people. A manager's satisfaction with the IJV depends on which

performance criteria he or she uses to evaluate the IJV. Therefore, IJV participants should seek to identify the specific performance criteria that are used by the key players in the IJV (Osland, 1994). Furthermore, Yan and Gray (1994) argued that the only appropriate criterion for performance evaluation is whether or not their partners and their stakeholders are happy with the IJV's operation. In this connection, respondents were asked to indicate the degree of satisfaction with the statement C42 (see Appendix) in the questionnaire regarding their ventures' business performance using five-point Likert scale based on their individual perceptions. Such an item seems quite 'subjective'.

Alternatively, the business performance could be measured along with various dimensions. The use of multiple performance measures and/or indicators, such as sales turnover, return on investment, market share and profit after tax, etc.(see Li, 2000; Tayeb, 1996; Wood, 1999) is suggested for future studies. Meanwhile, the author understood that business performance is not only dependent on HRM practices, but also many other business activities, such as marketing, operations, etc. Therefore, the use of the above 'objective' figures needs also to be treated with some caution.

In summary, such effectiveness measures provided the basis for testing these three research hypotheses concerning the effectiveness of embedded HRM practices in SFJVs.

### **6.3.2 Embedded HRM Effectiveness and Two Key Success Factors**

Hypotheses 1 and 2 explore the links between HRM effectiveness and the two key successful factors: the HR-related managerial patterns (i.e. ‘GM + HR Manager’) and HRM professional knowledge and skills of local managers.

The HR-related managerial patterns might be formulated during the early negotiation to form the alliances, because recruitment and selection could become a focal debate between partners when they negotiated the SFJV contract (Lu and Bjorkman, 1998). Hypothesis 1 suggests that the successful implementation of embedded HRM is partly dependent on the HR-related managerial patterns. Therefore, both foreign investors and their Chinese partners should understand that an appropriate HR-related pattern may contribute to enhancing effectiveness of HRM practices in SFJVs, when they are preparing to staff their ventures.

There was evidence that SFJVs did attempt to localise their management teams in developing HRM practices. Local HR professionals were familiar with the government regulations and behaviours, and had skills to cope with contextual difficulties (Gamble, 2000). Foreign investors might no longer necessarily assign expatriate HR managers to their SFJVs. In this regard, the MNCs should, therefore, attempt to reduce ethnocentrism (also see Fatehi, 1996). The traditional personal control method of assigning expatriates could be replaced by filling the key positions with well-trained and developed local managers. In the sample, there were actually a small number of SFJVs that adopted a foreign dominant pattern, such as ‘Foreign GM + Foreign HR manager’). From the Chinese view in particular, such fully foreign- dominated

patterns actually made less contribution to enhancing the effectiveness of HRM practices than the mixed pattern, i.e. 'Foreign GMs + Chinese HR managers recruited from the labour market' did.

Chinese HR managers/professionals in these SFJVs usually had different views towards the way in which they would attract, develop and retain people. This raised the question of the nature of the localisation. As a matter of fact, the data suggested a 'hybrid' team had been widely deployed in SFJVs. In particular, many SFJVs adopted the following HR-related managerial pattern: i.e. 'Foreign GM + Chinese HR manager recruited from the labour market'. With such a pattern, HRM policies and practices would be supervised and supported by the foreign GM, and operated by the local qualified HR professionals. This pattern was particularly helpful for Chinese managers to obtain GMs' valuable supports, which had been regarded as a key issue to develop embedded HRM practices. Meanwhile, a 'hybrid' HR-related team could nurture the mutual-learning environment and then formulate a 'hybrid' corporate culture. Foreign managers came to respect the work ethic of Chinese employees at SFJVs, while Chinese managers in turn learnt to admire the professional knowledge and efficiency of foreign managers. Learning, of course, can vary dramatically from one situation to another. Some SFJVs might not support or emphasise its importance while others made learning a priority. Some might make great efforts to match the knowledge and competence of other partner (compatibility), while some attempted to add to or build upon the knowledge and competence of the partner (complementarity). Some were more able to absorb new knowledge and learn from it (absorptive capacity), while some were more willing to share and transfer this knowledge and learning with other units (also see Cyr, 1995; Schuler, 2001; Sierra, 1996).

On the other hand, GMs of SFJVs were often result-oriented when they made decisions in developing HRM practices. The data clearly showed that offering training opportunities was positively correlated with the firm's business performance. This was probably one of the key reasons why training activity was more compatible than some other HRM activities between partners (see Lu and Bjorkman, 1997). Meanwhile, SFJVs with a higher business performance were more likely to provide generous financial support to train their employees. In practical senses, HRM must be developed in a cost/effective way. It is unrealistic to expect foreign investors to finance all Chinese staff to receive overseas training although such training had been regarded as a good motivator (see Tsang, 1994).

Many SFJV's business failures could be traced to poor HRM practices (see Warner, 1993; Zhao, 1993). One of the main reasons was due to the HR managers' inability to develop HRM in a SFJV (also see Cyr, 1995). Competent HR managers were those who could lead the HRM system towards accomplishment of organisational strategic goals of SFJVs in Chinese changing context. This feat was not easily attained. Previous textbooks in IHRM (e.g. Evans et al., 1989; Mead, 1995; Phatak, 1997; Sierra, 1996) have paid much attention, from MNCs' perspective, to assigning, training and compensating expatriate managers. Hypothesis 2 assumes that the effectiveness of embedded HRM practices is positively associated with the HR-related professional knowledge and skills of the local managers in SFJVs. Thus, training and developing local managers is essential to enhance their HR-related knowledge and skill which lie at the heart of SFJVs' competitiveness in the Chinese marketplace. In addition, since a rapid development of the labour market, particularly in Beijing region, the lack of

qualified local managers (e.g. Jacob, 2001; Tsang, 1994) may no longer be a major concern for foreign investors. This has been also evidenced by the profiles of the respondents in both qualitative and quantitative studies showing most Chinese HR managers/professionals have been well educated.

### **6.3.3 Embedded HRM Effectiveness and ‘Hybrid’ Corporate Culture**

Whether that SFJVs’ corporate culture should reflect Chinese culture norms, be exactly the same as MNC’s corporate culture norms, or be a ‘hybrid’ of MNC’s and Chinese culture’s norms is an important question for SFJVs and their parent firms to answer. However, the previous literature gave little attention to answer such a specific question.

Although there were foreign organisational cultures on-site in the sampled SFJVs, the distinctive characteristics of Chinese culture impacting upon HRM practices were what ultimately count. A SFJV has a unique advantage to develop a ‘hybrid’ corporate culture in comparison with a SOE in the same marketplace. A corporate culture may contain many elements. It is beyond scope of this study to bring them all into accounts. But three key elements (i.e. ‘innovation and change’, ‘customer-oriented business philosophy’ and ‘atmosphere of harmony’ relating to the statements C30, C31 and C32 in the questionnaire respectively), which were extracted from the qualitative data, were used in the quantitative study to test Hypothesis 3 proposing that the effectiveness of embedded HRM practices in a SFJV was significantly associated with the SFJV’s ‘hybrid’ corporate. In this study, embedded HRM effectiveness items were regarded as dependent variables, and the elements of a ‘hybrid’ corporate culture were treated as independent variables.



Both Chinese and foreign parent companies, with their own values and beliefs, had a substantial influence on SFJV's corporate culture. The parent companies set the scene for the way a culture developed because they established the SFJV's organisational values and hired members of the new organisation. Under such circumstances, SFJVs have to be prepared to formulate their own corporate culture (also see Cyr, 1995) in supporting the unique HRM practices in SFJVs. In order to cope with the contextual complexity (see Section 6.2.1), a 'hybrid' culture is expected to nurture a mutual learning environment within and outside ventures. Thus all parties involved in the strategic alliances should respect and learn from each other how to interpret dynamic situations and respond to them in ways that reflect the ventures' shared values and norms (also see George and Jones, 1996: 495), instead of simply adopting American or Japanese policies in SFJVs. Internationalisation is a learning process (Tsang, 1999) and IJVs should serve as vehicle for learning (Schuler, 2001: 6). SFJVs must strive to create a corporate culture that reflects a Western management style yet is also suitable for Chinese employees. One way to formulate a 'hybrid' corporate culture is to establish a 'hybrid' managerial team, as Hypothesis 1 suggested, and another way is to develop HRM-related training programmes for local managers and employees, as Hypothesis 2 proposed. SFJVs' managers need to develop cross-cultural skills that allow them to work effectively together.

Hypothesis 3 refers to the advantages of diversity of culture (see Section 2.2.2 in Chapter 2). The data suggested that it seemed to be more applicable to forge a 'hybrid' corporate core value into SFJVs in order to make a new management style become more acceptable from Chinese side. Such results did not support Goodall and

Warner's (1997) conclusion suggesting that it was easier to transfer 'hard' HRM technology across frontiers than its 'soft' counterpart – a corporate culture.

Furthermore, if a corporate culture is regarded as a organisational context for HRM practices (see Kostova, 1999), the Hypothesis 3 then further supports the principal proposition highlighting that embedded HRM practices in SFJVs must be studied and developed in contexts.

#### **6.4 Conclusions**

On the basis of both qualitative and quantitative findings which have been reported in Chapters 4 and 5 respectively, Chapter 6 has further discussed the research results in relation to the four research proposition/hypotheses. The research, by taking the 'view from China', is thought to be meaningful and practical, and to contribute to the IHRM literature in identifying and understanding the way in which HRM practices in SFJVs have developed. The research proposition was developed to urge managers to develop embedded HRM practices in SFJVs in contexts. The research results also resonated with the business systems literature and provided some support for institutionalist predictions on the embeddedness of HRM practices in the host-country's national business systems.

More specifically, this chapter has further discussed three research hypotheses in relation to enhancing the effectiveness of embedded HRM practices in SFJVs from the Chinese perspective. Hypotheses 1 and 2 particularly highlighted the importance of the two key successful factors to developing embedded HRM practices: i.e. the HR-related managerial patterns and the local managers' HR-related knowledge and skills.

Hypothesis 3 further linked the effectiveness of embedded HRM practices with a ‘hybrid’ corporate culture within an SFJV.

Meanwhile, these four proposition/hypotheses are related and reinforced to each other to lead to drawing the research conclusion. Thus, the following chapter then turns to concluding the thesis and making some suggestions for the practice and further research.

## **CHAPTER 7: CONCLUSIONS AND SUGGESTIONS**

### **7.1 Introduction**

There has been a steady increase in interest in IHRM issues in SFJVs. This is because of the increasing number of SFJVs indicated in Chapters 1 and 2, and which in part has been stimulated by the massive economic reform and in part spurred by a wider opening of the Chinese market. With the entry of China into the World Trade Organisation (WTO), it is expected that there will be an increased significance of SFJVs in the Chinese marketplace.

This thesis has attempted to contribute to both theory and practice on HRM by exploring how HRM practices have developed in SFJVs. The research problems have in particular been examined from the Chinese perspective since this has been underdeveloped in the IHRM literature. Two general research questions were used to provide a focus for this empirical study. There were:

1. What are Chinese HR managers/professionals' views towards current HRM development in SFJVs and the influence of contextual factors ?
2. How can the effectiveness of HRM practices in SFJVs be enhanced from the Chinese perspective ?

Chapter 1 firstly introduced the background of the study and identified the importance of developing embedded HRM practices in SFJVs. A literature review presented in Chapter 2 was conducted at the early stage to build the theoretical foundation upon

which the research would be based. Chapter 3 provided an overview of the methodological debates as well as critical evaluation and descriptions of research methods used in the study. The thesis adopted a positivist methodology. Key propositions of the positivist stance were outlined in Section 3.2. Following an inductive/deductive strategic process (see Section 3.3), both qualitative and quantitative methods were conducted. The first part of the empirical research was to conduct the qualitative interviews with a small number of Chinese HR managers from various SFJVs in Beijing in order to generate the four research proposition/hypotheses that have been presented in Chapter 4. The quantitative survey in the same region was then followed in order to confirm and/or test these proposition/hypotheses. The quantitative data analysis has been presented in Chapter 5. In order to achieve the research aims and objectives, Chapter 6 further discussed research results in relating to both the literature and the research proposition/hypotheses. This chapter now turns to concluding this empirical research.

## **7.2 Conclusion of the Empirical Research**

The empirical study has yielded significant results regarding developing embedded HRM practices in SFJVs.

The first general conclusion is that SFJVs have been developing embedded HRM practices by moving away from the traditional ‘iron rice-bowl’ systems. Such a conclusion supports the research proposition:

*P. SFJVs have been developing effective HRM practices by moving away from the traditional 'iron rice-bowl' system to an embedded system.*

Indeed, one of the critical debates in IHRM concerns the influence of globalisation and multinational enterprises on convergence in HRM practices. In this context, much of the literature on SFJVs has been written either from the convergence/universalistic perspective, which has emphasised the transfer of Western 'best practice', or from a comparative perspective, but which is still underpinned by convergence assumptions on the idea of 'progress' against universalistic Western standards. This literature has pointed out how SFJVs have either transplanted western-style HR approaches (e.g. Ahmed and Li, 1996; Osland, 1994; Tsang, 1994) or else have adapted them to form some kind of 'hybrid' HRM mode, i.e. HRM with Chinese characteristics (Ding et al., 1997; Goodall and Warner, 1997). Such a 'hybrid' form is actually another example of modification of western concepts and patterns of HRM into Chinese usage.

Generalising HRM practices as being a 'hybrid' mode is not only too simplistic but also fails to recognise the ongoing nature of change both within and outside the SFJVs (also see Gamble, 2000). Viewed from a relativistic epistemology, however, these models of 'progress' may be misleading. The study was conducted from the perspective of the Chinese HR managers/professionals to see how HRM practices have developed in SFJVs. The results have provided an alternative account that has less to do with such a 'progress' of so called 'Westernisation' and convergence, but more to do with developing workable HRM policies and practices which are differentiated from not only the traditional Chinese system but also those of their foreign partners. An effective HRM system is capable of becoming embedded in the dynamic Chinese business system and rooted in the contexts at the industrial, organisational and

individual levels. The embedded HRM practices are focused on attaining fruitful results.

Moreover, the Western standardised HRM practices do not represent some vision of a universal model towards which SFJVs in a Chinese context are tending. The research proposition suggests that HRM policies and practices should not be assumed to be identical across different countries. There is no one best way for SFJVs to develop their HRM systems in practice. Rather, HRM systems need to be carefully designed and implemented in accordance with each venture's specific conditions rather than blindly copying from the West. Embedded HRM practices can be successfully developed by learning from each other among all the parties involved in the alliances in order to avoid the 'Western Intelligence, but Local Stupidity'.

The second conclusion is more specific and practical. The study has identified two key success factors related to enhancing the effectiveness of HRM practices in SFJVs: i.e. the HR-related managerial patterns (i.e. 'GMs + HR Managers') and local managers' HR-related knowledge and skills. The two relevant research hypotheses here are:

*H1: The effectiveness of embedded HRM practices is affected by the HR-related managerial patterns in SFJVs.*

*H2: The effectiveness of embedded HRM practices in an SFJV is directly influenced by the HR-related professional knowledge and skills of the local managers.*

An appropriate management team would be vital for SFJVs to cope with such

contextual complexities and difficulties in developing embedded HRM practices in SFJVs. Also, it is very important for SFJVs to recruit qualified HR managers/professionals from the local labour market and then to develop their HRM-related competence. Such efforts would be significant for SFJVs to achieve a competitive advantage in the marketplace and to enhance the business performance. Thus, given the differences among many HRM assumptions, the Chinese and foreign partners will ultimately have to work together to develop an embedded HRM system that incorporates strengths from both sides according to the surrounding environments.

Finally, the effectiveness of embedded HRM practices in a SFJV appeared to be significantly associated with a ‘hybrid’ corporate culture that contains both Chinese and foreign characteristics. A ‘hybrid’ corporate culture may provide a platform to develop embedded HRM practices in SFJVs. The pattern of “embedded HRM practices + a ‘hybrid’ corporate culture” formulates Hypothesis 3:

*H3: The effectiveness of embedded HRM practices is positively associated with the degree to which the SFJV ‘hybrid’ corporate culture is generally supportive of change and innovation, customer-oriented philosophy and internal atmosphere of ‘harmony’.*

All the above four research proposition/hypotheses are statistically significant with different degrees of confidence, and reinforce each other to address the research problem. The empirical research has provided the interesting results to explore the way in which HRM practices have actually developed in SFJVs, as well as to show the key ‘factors’ by which the effectiveness of embedded HRM practices could be enhanced.



Therefore, this empirical research indicated that the study of HRM in SFJVs from the Chinese perspective could be meaningful and helpful to analyse the differences in perceptions, expectations, understandings and management approaches (also see Ying, 1996). The theoretical contributions of this thesis are mainly to institutional theory and international HRM. In summary, this study not only contributes to the theory regarding IHRM and institutionalist approaches but also has a number of managerial implications.

### **7.3 Implications for Managers**

The study has summarised a range of practical implications for managers to developing embedded HRM practices in their SFJVs. A checklist which incorporates the research results is presented as follows:

- Generalising HRM practices as being Western ‘best practice’ or ‘hybrid’ mode is too simplistic and naive. Rather, closer attention should be paid to the context of the situation in which action occurs. Awareness of not only cultural differences between partners, but also other distinctive characteristics of the Chinese national business system, and respect for these, could help ease complexities and tensions which might arise in a SFJV, thereby increasing chances of the venture’s success: in particular, accepting that knowledge and perceptions are influenced by cultural background, accepting others’ questioning of their beliefs and being able to recognise and respect different ways of thinking and behaving (also see Cyr, 1995; Lane, 1997).

- Accordingly, SFJVs' managers need to actively seek to acquire IHRM-related professional knowledge concerning attracting, developing and retaining qualified employees in order to cope with both internal and external environments in which their ventures are operating. In particular, these managers need to develop cross-cultural skills that allow them to work effectively, and design and implement an embedded HRM system on the case-by-case basis. Any attempts to either copy Western 'best practice' or insist on the traditional Chinese personnel management approaches could be misleading the study and practice.
  
- Personal contacts and headhunting can be used occasionally as a method of searching for capable candidates from the labour market. Training should be broad for all employees with an emphasis on new skills and knowledge for local managers. A venture should not only offer technical training but also provide local managers with more HRM-related training along with a job-rotation and internal promotion. Such job rotation and promotion must be fairly and openly implemented in practice. An SFJV should offer competitive package compensations. Individual-based performance measures are useful.
  
- A nationality mix of HR-related management teams in an SFJV is strongly recommended in order to manage the venture effectively in the current national context, but the localisation appears to be a trend in general.
  
- In order to make embedded HRM practices work effectively in SFJVs, more effort should be placed on formulating a 'hybrid' corporate culture. The challenge for Chinese HR managers is to work with top management in fostering such a

desired 'hybrid' corporate culture. Even with guidelines of an SFJV contract and other support from HQs, foreign managers should be tolerant and patient rather than simply trying to 'force' Chinese employees to 'follow me'. Ideally, expatriate managers should acquire some knowledge of the Chinese culture and be sensitive to the concerns of Chinese employees. On the other hand, ventures should attempt to hire Chinese managers with advanced knowledge and special skills beyond those of traditional managers: e.g. knowledge of Western management techniques, personal skills, the ability to communicate with foreign managers effectively, flexibility and so on. Meanwhile, existing Chinese managers are encouraged to learn Western management philosophies and techniques. Thus, SFJVs and their parent companies should encourage mutual learning among all parties involved in the strategic alliances and review their successes and failures of HRM activities regularly.

It is not suggested that MNCs should adopt a 'Chameleon Strategy' in managing their SFJVs. Rather, managers are advised to be alert to the numerous potential problems during development of embedded HRM practices. Eventually, it is suggested that MNCs entering the Chinese market through the SFJV model must 'think global, act local' in terms of IHRM practices. In summary, SFJVs are urged to develop embedded HRM practices, coupled with a 'hybrid' corporate culture.

#### **7.4 Limitations of the Research**

Throughout the research the author was aware of the methodological limitations of positivism that became apparent during the progress of the research. This section attempts to outline the research limitations upon which further research can build.

First, data about HRM practices in SFJVs might be limited to this study because all sampled SFJVs were located in Beijing region only. Thus, the regional differences in China could not be taken into account (also see Child and Steward, 1997). Second, the questionnaire survey was based on the 'snowball' method which is based on non-probability sampling. Strictly speaking, inferential statistical methods utilise assumptions about the probability that any particular sample is selected. Non-probability sampling methods are ones for which it is not possible to specify the probabilities of possible samples. Inferences using such samples are of unknown reliability (see Agresti and Finlay, 1997: 20-21). Thus, the quantitative results need to be treated with some caution. Third, only three key items of HRM effectiveness (see Section 5.3.1 in Chapter 5 and Section 6.3.1 in Chapter 6) have been selected from the qualitative study and used in the quantitative analysis. In order to enhance the research validity, the key HRM effectiveness items need to be further identified. In particular, such an integration of HRM activities as a single item may lead to failure to identify differences among various interpretable themes. Meanwhile, 'business performance' has not been further evaluated along various dimensions, such as sales revenues, profit after tax, market share and return on investment, etc. (Li, 2000; Tayeb, 1996). Such different business performance measures will enhance the research validity because firms' emphases may be different. Finally, embedded HRM comprises a range of integrated personnel policies and practices. The study focuses only on some typical HRM activities, while some other important HRM functions have been excluded, such as communications, industrial relations, employee involvement and so on. Additional interesting results may be obtained if these practices can be taken into account.

In addition, the research conclusions were drawn based on the individual perceptions of Chinese HR staff (i.e. 'key informants') at the sampled SFJVs. This might not be regarded as one of the research limitations, since the research attempted to explore the development of HRM practices in SFJVs from the Chinese perspective. However, the use of multiple respondents would increase the research validity. Thus further research is suggested in the following section.

### **7.5 Suggestions for Further Research**

Research often poses more questions than it answers. Further research is suggested along a number of dimensions as follows:

- 1) The concepts of 'embedded HRM effectiveness', 'business performance', and 'corporate culture' could be more richly defined. In particular, the key characteristics of embedded HRM practices in SFJVs need to be further identified and studied.
- 2) A combination of both quantitative and qualitative approaches, using 'triangulation' as post-positivists suggested, may resolve some of the methodological difficulties. Measuring the effectiveness of embedded HRM practices in SFJVs may require further in-depth case studies, involving multiple respondents in the particular environment. The use of multiple respondents for further study, e.g. Chinese managers and employees, expatriate managers, Chinese governments as well as parent companies, would improve the validity and reliability of the research. Motivated by a desire to explore the merits of 'multiple-party' investigations in

SFJVs (also see Osland and Cavusgil, 1998), further research is also expected to identify the influence of the contextual factors from the different perspectives, and then to make a comparison among them. Meanwhile, it would be useful to reveal interrelationships among the large number of variables with the Likert scale, regarding embedded HRM effectiveness and surrounding environments, by defining a set of common underlying dimensions, so called 'factors'. The statistical package MINITAB can be used for factor analysis before conducting the multiple regression analyses.

- 3) A longitudinal study allows researchers to compare subjects at different times. The Chinese context raises many HRM-related questions during this period of transition and beyond. However, the Chinese economy and other contexts continue to evolve, and the data collected at one point in time can not be expected to remain static. The nature of HRM policies and practices in SFJVs is an evolving process reflecting the interaction of changing contexts at the national, industrial, organisational and individual levels. Thus, a longitudinal study within multiple cases would be helpful to explore the nature of evolving process of developing embedded HRM.
- 4) The parent companies in this study came from a wide variety of countries. This has the merit that the conclusions are perhaps more generalizable, but it would be interesting to further explore any differences among foreign investors with different nationalities. Such in-depth studies may reveal more interesting findings and then contribute to the literature regarding 'institutional distance', 'dominant effect' and their implications for HRM practices in SFJVs.

- 5) Expansion of the research regions, in which SFJVs located around China, such as Shanghai, Guanzhou, Dalian, Shenzhen and etc., would also increase the research validity.

The empirical research has made a significant contribution to institutional theory and IHRM development in IJVs. Moreover, the conclusions may also provide practitioners with much needed information to facilitate their success in the Chinese marketplace in the new millennium.

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## **APPENDICES**

## **Appendix 1: Guideline Questions for Interviewing**

### **Background Questions**

1. Tell me about yourself, which might be related to my research (age, position, educational & professional qualifications, work experiences and so on).
2. Tell me about your SFJV. In particular, I am interested in the following features: JV start-up date, partners and ownership, the MNC nationality, the Chinese parent organisations, products, sales turnover, number of employees, skill levels of employees, organisational structure, management team, nomination of HR managers, and so on.

### **Recruitment and Selection**

1. How are vacant positions filled in your company ?
2. What are the methods of recruitment and selection adopted in your company ?
3. Who makes selecting decisions, and Why ?

### **Labour Contracts, 'Dang An' (personal files) and 'Hu Kou' (resident permit)**

4. Has your company signed the labour contract with all employees ? Collective or individual contracts ?

5. Are there any problems and/or specific concerns for both employer and employees to sign the labour contracts, and what and why ?
6. How does your company manage employees' 'Dang An' and deal with their 'Hu Kou' ?

### **Training and Development**

7. Does the company have a training plan ?
8. How learning is created ? - methods for training (off-job or on-job) ?
9. What is the focus of training (for example, job content, problem-solving, cultural understanding, communication skills, and so on) ?
10. Who develops the training packages ? Who provides the training (parent, SFJV, Institutions) ?
11. How does the company monitor the effectiveness of training programmes ?
12. How much money does the company spend on training its employees ?
13. Are all employees required to receive training both formally and informally ?

## **Rewards**

14. What are main objectives of rewards in your company (i.e. to attract, motivate or retain employees) ?
15. Could you describe the (both tangible and intangible) reward system applied in your company ? (i.e. PRP, Profit Share, Bonus, Recognition...)
16. Are there big differences of incomes amongst employees in your company ?
17. Are employees satisfied with their compensation packages ?
18. To what extent are employees involved in creating their own compensation packages ?

## **Promotion and Job Rotation**

19. What is the basis for promotion in your company (seniority, ability and so on), and Why ?
20. Are promotion criteria the same for all employees, and why ?
21. Are you satisfied with the opportunities for promotion within your company ?
22. Does your firm provide employees with job-rotation opportunities, and why ?

### **Performance Appraisals**

23. What are main purposes of performance appraisals in your company ?

24. Who provides the appraisal ? Who are appraised ?

25. How often are appraisals performed ?

26. Is the same appraisal process applied to all employees ?

27. What actions would be taken after the appraisal ? Any problems ?

### **Trade Union in SFJV**

28. Is there the Trade Union in your venture ?

29. What are main roles of the Trade Union in practice ?

### **Contextual Factors**

30. What are the main influential factors of the surrounding environments that concern you with regard to developing HRM practices in your company ?

31. To what extent do these factors impact on HRM practices in your company, and

how ?

**SFJV corporate culture**

32. Could you describe the formulation of corporate culture in your SFJV ?

33. What is your general view towards the current corporate culture of your SFJV ?

**Others**

34. Could you describe the role of HR department in your SFJV ?

35. To what extent do you intend to learn from the Western HRM practices ?

36. Do you have any suggestions to improve the HRM practices in your company in the future ?

## Appendix 2: Profiles of the Ten Sampled Companies in the Qualitative Studies

	SFJV1	SFJV2	SFJV3	SFJV4	SFJV5
<b>Start-up Time</b>	1995	1993	1995	1998	1986
<b>Type of Company</b>	SFJV	SFJV	SFJV,	SFJV	SFJV
<b>Type of Industry</b>	Manufacturing	Manufacturing	Manufacturing	Manufacturing	Service
<b>MNC Nationality</b>	Finland	Australia	Germany	Britain	USA
<b>Foreign Ownership (%)</b>	95 %	75 %	95 %	70 %	50%
<b>Market Sector</b>	Electronic	Food	Pharmacy	ATM	Delivery Service
<b>Business Turnover</b>	N	RMB 0.2 billion	RMB hundreds of millions	N	N
<b>Employee Number</b>	78	350	120	100	1700
<b>Number of HR Staff</b>	1	8	5	4	8
<b>Employee Skill Level ( % graduates)</b>	95%	10 %	Most at management and professional level	Most (engineers and managers)	10 %
<b>Senior Management Team (Local Vs expatriates)</b>	Most expatriates / the third country managers	Expatriates / the third country managers: GM, Marketing Manager, Financial director	Expatriates / the third country managers: GM and all directors at the senior levels.	Expatriates / the third country managers: Finance, Operation	Expatriates / the third country managers: GM, Operations and marketing manager; Local managers: finance, HR, etc.
<b>Union Status</b>	Non-unionised	Unionised	Unionised	Unionised	Unionised

	SFJV6	SFJV 7	SFJV 8	SFJV 9	SFJV 10
<b>Start-up Time</b>	1994	1989	1995	1985	1997
<b>Type of Company</b>	SFJV	SFJV	SFJV,	SFJV	SFJV
<b>Type of Industry</b>	Manufacturing	Manufacturing	Manufacturing	Manufacturing	Manufacturing
<b>MNC Nationality</b>	Singapore	USA	Brazil	Holland	France
<b>Foreign Ownership (%)</b>	35 %	60 %	60 %	80 %	60 %
<b>Market Sector</b>	Biotech	Contact lenses	Compressors	RMB 0.8 billion	N
<b>Business Turnover</b>	RMB 0.1 billion	RMB 0.1 billion	RMB 0.47 billion	Consumer Electronics	Chemistry
<b>Employee Number</b>	393	600	1000	150	120
<b>Number of HR Staff</b>	2	No Data	No Data	5	2
<b>Employee Skill Level ( % graduates)</b>	50 %	All at management and professional level	15 %	25 %	Most at management and professional levels
<b>Senior Management Team (Local Vs expatriates)</b>	All Chinese	Expatriates / the third country managers: GM, Marketing, Sales and Finance	Expatriates: GM. Finance, Operation, Quality Management; Chinese managers: Vice-GM, HR, Purchases, Sales	Expatriates / the third country managers: GM and Product manager	Expatriate: GM
<b>Union Status</b>	Unionised	Unionised	Unionised	Unionised	Unionised



**Appendix 3: The Background of the Ten Informants in the Qualitative Study**

	<b>SFJV1-Manu-Finland</b>	<b>SFJV2-Manu-Australia</b>	<b>SFJV3-Manu-German</b>	<b>SFJV4-Manu-Britain</b>	<b>SFJV5-Serv-USA</b>
<b>Nationality</b>	Chinese	Chinese	Chinese	Chinese	Chinese
<b>Gender</b>	Female	Male	Female	Male	Female
<b>Age</b>	28	30	29	46	28
<b>High Degree &amp; Subject</b>	MSc in Engineering	MBA	BA in English	Diploma in Management	BA in Management
<b>HR Work Experience</b>	Two SFJVs	Two SFJVs	One SFJV	One SOE & Three SFJVs	One SOE & One SFJV
<b>Position</b>	Administration & Personnel Manager	HR Manager	HR Manager	HR Manager	Personnel Administrator
<b>Nominated by whom</b>	Foreign GM	Foreign GM	Foreign Director	The Board	Chinese parent company

	<b>SFJV6-Manu-Singapore</b>	<b>SFJV7-Manu-USA</b>	<b>SFJV8-Manu-Brazil</b>	<b>SFJV9-Manu-Holland</b>	<b>SFJV10-Manu-France</b>
<b>Nationality</b>	Chinese	Chinese	Chinese	Chinese	Chinese
<b>Gender</b>	Female	Male	Female	Male	Female
<b>Age</b>	46	33	50	35	38
<b>High Degree &amp; Subject</b>	Studying for MBA (HRM)	BA in Maths	High School Ceertificate	Studying for MBA	BEng
<b>Work Experience</b>	An University & One SFJV	Three SFJVs	One SOE & One SFJV	One SOE & Two SFJVs	A Government Agency & One SFJV
<b>Position</b>	HR Manager	HR Manager	HR Director	HR Manager	HR Manager
<b>Nominated by whom</b>	Chinese GM	Foreign GM	Chinese partner Company	Foreign GM	Foreign GM

## **Appendix 4: The Questionnaire**

### **Introduction**

The **aim** of the questionnaire survey is to explore the development of HRM practices in Sino-Foreign Joint Ventures in China. Most of the questions can be answered by ticking the appropriate box; the others can be answered in either English or Chinese. Your responses will be **strictly confidential**.

It should be **very helpful** if your company's HR manager/staff can take a few moments to fill in the questionnaire. **Many thanks** in advance.

### **Section I: About Your Company**

**C1:** When was the company set up ? \_\_\_\_\_ (Year)

**C2:** How many employees are there within your company ?

1-100 ☐    100-200 ☐    201-500 ☐    501-1000 ☐    1000+ ☐

**C3:** How many employees within your company are graduates from a university / college ?

< 10 % ☐    11-30 % ☐    31-50 % ☐    51-80% ☐    81-100% ☐

**C4:** How many HR staff (including HR manager) are there within your company ?  
\_\_\_\_\_ (number)

**C5:** What is the foreign parent company's nationality ?

\_\_\_\_\_ (e.g. USA, Britain, Japan..)

**C6:** The joint venture is:

Manufacturer ☐    Service Company ☐

**C7:** Please describe the current ownership of the joint venture company:

Chinese parent company : foreign parent company = \_\_\_\_\_ % : \_\_\_\_\_ %

## Section II

**C8:** Are there foreign managers currently working within your company ?

Yes ☐ No ☐

**C9:** Are there any Chinese managers who were transferred from Chinese parent company within your organisation ?

Yes ☐ No ☐

**C10:** The general manager is from

Chinese parent organisation ☐ Foreign parent company ☐  
Local labour market ☐ Other (specify) \_\_\_\_\_

**C11:** The HR manager is from

Chinese parent organisation ☐ Foreign parent company ☐  
Local labour market ☐ Other (specify) \_\_\_\_\_

**C12:** The main source of employees within your company is: (tick appropriate boxes)

Transferred from the Chinese parent organisation ☐  
From the local labour market ☐  
Universities/colleges' graduates ☐  
Others (specify) \_\_\_\_\_ ☐

**C13:** How are vacant positions filled now within your company ?

(tick appropriate boxes)

Transferred from the Chinese parent organisation ☐

- Recruited from the local labour market ☐
- Selected from the internal resources within the company ☐
- Recruited directly from the universities/colleges ☐
- Others (specify) \_\_\_\_\_ ☐

**C14:** Does your company conduct a formal job interview with each applicant ?

Yes ☐ No ☐

**C15:** Has the company signed an individual labour contract with all employees ?

Yes ☐ No ☐ Not yet but soon ☐

**C16:** Has the company signed a collective contract with the trade union ?

Yes ☐ No ☐ Not yet but soon ☐

### Section III

**In this section please indicate your strength of agreement with the following statements using the scale:**

**1. Strongly Agree, 2. Agree, 3. Neutral, 4. Disagree, 5. Strongly Disagree**

**C17:** The current system for recruitment and selection is effective.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

**C18:** In general, the company provides all employees with good training opportunities.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

**C19:** The company provides key employees with overseas training opportunities.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

**C20:** A performance-related pay system has been applied.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

**C21:** In general, this company offers competitive salary packages.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

**C22:** Non-financial rewards are offered effectively to staff who make outstanding contributions to the work of the company.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

**C23:** The same appraisal process is applied to all employees.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ No formal appraisal process ☐

**C24:** The current appraisal system takes full account of personal strengths and weaknesses.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ No formal appraisal system ☐

**C25:** Your company's promotion procedures are open.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

**C26:** The company provides employees with good job-rotation opportunities.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

**C27:** Most Chinese managers are willing to learn Western HRM techniques.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

**C28:** In general, the foreign parent company has always 'forced' to conduct its own HRM practices within the joint venture company.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

**C29:** The Chinese parent company has a high level of involvement in human resource management within your company.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

**C30:** The company encourages innovation and change.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

**C31:** This company is a very customer-oriented place. People are concerned with customers satisfaction.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

**C32:** There are good interpersonal relationships within your company.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

**C33:** Chinese culture is a 'barrier' to developing HRM practices within your company.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

**C34:** Does your company have a trade union ?

Yes ☐ No ☐ Not yet but soon ☐

**C35:** If yes, the trade union plays an important role within your company.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

**C36:** The current Chinese government regulations make it difficult to develop HRM policies and practices within your company.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

**C37:** It is becoming more difficult for your company to keep the qualified employees.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

**C38:** It is important for the company to put its employees' personal files (i.e. 'Dang An') under appropriate control.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

**C39:** It is difficult to recruit the people without local resident permits (i.e. 'Hu Kou')

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

#### **Section IV**

**In this section please indicate the degree of satisfaction using the following guide for your answers:**

*1. Very satisfied 2. Satisfied 3. Neutral 4. Dissatisfied 5. Very Dissatisfied*

**C40:** The knowledge and skills of the Chinese managers in developing HRM practices.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

**C41:** The company general manager's support to develop HRM policies and practices.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

**C42:** The company business performance.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

**C43:** The degree of the foreign side understanding of the Chinese context (e.g. culture, law, regulations, etc.)

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐

**C44:** The effectiveness of the current HRM system in supporting the company to achieve its competitive advantage in the marketplace.

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐



### Section V: About You

**Finally, we would like to ask you some questions about yourself to help with the statistical analysis. Again, all information is strictly confidential.**

**C45:** What is your age ? 20-25 ☐ 26-30 ☐ 31-40 ☐ 41-50 ☐ 51+ ☐

**C46:** Are you Male ☐ Female ☐

**C47:** Highest level of education obtained (or soon to be obtained).

High School ☐ College Diploma ☐ Bachelors Degree ☐

Master Degree ☐ Doctoral Degree ☐

**C48:** Have you received a formal training in human resource management ?

Yes ☐ No ☐

**C49:** If Yes, it took place in China ☐, Overseas ☐, both ☐

**C50:** Have you had work experience in a state-owned company and/or a government agency before joining this joint venture company ?

Yes ☐ No ☐

### Section VI: Any Additional Comments

6.1 If you would like, please describe the major challenges and/or difficulties in developing HRM within your company (either in English or Chinese) ?

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6.2 If you would like to make any further comments in relation to the above questions please do so in the space provided below (either in English or Chinese).

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**Please could you now check that you have completed all the relevant questions. Thank you for your help again !**

\*\*\*\*\*

**Notes:** ‘C’ denotes the column in the worksheet in the MINITAB. The number refers to the number of the column. There are the same marks such as C1, C2... in the distributed questionnaire. In addition, the data stored in the following columns were coded from the above columns for the statistical analysis:

**C51 from C1:** Data were transferring from ‘year’ into ‘firm age’.

**C52 from C7:** The data regarding the foreign ownership were coded from numeric to text  
i.e. ‘> 50 %’, ‘= 50 %’, ‘< 50 %’.

**C53 from C5:** Categorised foreign nationalities into groups, i.e. ‘EU’, ‘USA’, ‘Japan’,  
‘Singapore’ and ‘others’

**C54 from C12:** Regrouped main labour sources within SFJVs, i.e. ‘External’, ‘Transformed’  
and ‘Combined’.

**C55 from C17-26:** The HRM activities as a whole, i.e. the sum of C17-26.

**C56 from C2:** Regrouped ventures' sizes, i.e. '1 – 100', '101 – 200', '201 – 500', '500 +'

**C57 from C3:** Re-organised groups of employees' skills (% graduates), i.e. '0 – 30 %',  
'31 – 50 %', '51 – 100 %'.

**C58 from C34:** Re-grouped the SFJVs in terms of whether having trade unions  
within the ventures, i.e. 'Yes' and 'No'

**C59 from C10-11:** HR-related Managerial Patterns (GMs + HR managers), i.e. 'CC', 'CL',  
'LL', 'FF', 'FL', 'FC'.

**C60 from C59:** Re-grouped HR-related Managerial Patterns, i.e. 'FL' and 'others'.

**Appendix 5: The Questionnaire in Chinese**

调 查 问 卷

这份调查问卷的目的是为了调研中外合资企业中人力资源管理的实际运作情况。其中绝大多数问题是选择性的问题，即可在每个问题后面的选项上做记号选择；个别开放性的问题可以用中文或英文回答。我们对您的答案将会严格保密。

如果贵公司的人力资源部门经理或职员能够在百忙当中抽出一点时间回答下面的问题，将会对我们的研究有很大帮助。对此，谨向您表示诚挚的感谢。

第一 部 分：关 于 贵 公 司

- C1: 贵公司的成立时间？\_\_\_\_\_（年）
- C2: 贵公司拥有的雇员人数？
- |          |                          |         |                          |         |                          |
|----------|--------------------------|---------|--------------------------|---------|--------------------------|
| 1-100    | <input type="checkbox"/> | 100-200 | <input type="checkbox"/> | 201-500 | <input type="checkbox"/> |
| 501-1000 | <input type="checkbox"/> | 1000+   | <input type="checkbox"/> |         |                          |
- C3: 在贵公司雇员当中接受过高等教育的比例？
- |        |                          |         |                          |         |                          |
|--------|--------------------------|---------|--------------------------|---------|--------------------------|
| < 10 % | <input type="checkbox"/> | 11-30 % | <input type="checkbox"/> | 31-50 % | <input type="checkbox"/> |
| 51-80% | <input type="checkbox"/> | 81-100% | <input type="checkbox"/> |         |                          |
- C4: 在贵公司的人力资源部门的职员人数（包括人力资源部门经理）  
\_\_\_\_\_（人数）

C5: 国外母公司总部在哪个国家?  
\_\_\_\_\_ (例如美国、英国、日本...)

C6: 合资公司是属于:  
制造业 ☐ 服务业 ☐

C7: 合资公司中外方的股份:  
中方: 外方 = \_\_\_\_\_%: \_\_\_\_\_%

## 第二部分

C8: 现在是否有外方经理在贵公司工作?  
是 ☐ 否 ☐

C9: 是否有从中方母公司调来的中方经理?  
是 ☐ 否 ☐

C10: 总经理来自于:  
中方母公司 ☐ 外方母公司 ☐  
当地招聘 ☐ 其他 (请说明) \_\_\_\_\_

C11: 人力资源部 (人事部) 经理是来自:  
中方母公司 ☐ 外方母公司 ☐  
当地招聘 ☐ 其他 (请说明) \_\_\_\_\_

C12: 贵公司员工的主要来源:  
中方母公司 ☐  
当地招聘 ☐  
大专院校毕业生 ☐  
其他 (请注明) \_\_\_\_\_

C13: 公司内部空缺的职位是如何补充的？

从中方母公司调来 ☐

当地招聘 ☐

从公司内部的中方员工中选拔 ☐

大专院校毕业生 ☐

其他（请注明）\_\_\_\_\_

C14: 公司是否会对每一位求职者进行正式的面试？

是 ☐ 否 ☐

C15: 公司是否与每一位员工签定一份个人劳动合同？

是 ☐ 否 ☐ 现在没有，但马上将进行 ☐

C16: 公司是否与工会签定一份集体劳动合同？

是 ☐ 否 ☐ 现在没有，但马上将进行 ☐

### 第三部分

在这一部分中，请按照您对以下描述的认同程度选择：

1. 完全同意      2. 基本同意      3. 既不同意也不反对

4. 不同意      5. 完全不同意

C17: 现行的招聘制度是有效的。

1. ☐      2. ☐      3. ☐      4. ☐      5. ☐

C18: 在通常情况下，公司为全体员工提供良好的培训机会。

1. ☐      2. ☐      3. ☐      4. ☐      5. ☐

C19: 公司为重要职位的员工提供出国培训的机会。

1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐

C20: 公司内部实行工资与个人表现挂钩的工资制度。

1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐

C21 公司提供具有市场竞争力的工资。

1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐

C22: 对于在工作中有突出贡献的员工, 提供有效的非物质性奖励。

1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐

C23: 对于所有雇员使用相同的效绩评价程序和方法。

1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐

C24: 现行的评价制度综合考虑了个人的优势与弱点。

1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐

C25: 公司的人事晋升制度是公开的。

1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐

C26: 公司为员工提供良好的岗位轮换机会。

1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐

C27: 大多数中方经理希望学习西方的人力资源管理知识与技术。

1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐

C28: 外方母公司总是试图在合资公司内部推行外方自己的人力资源管理方法。

1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐

C29: 中方母公司在人力资源管理上经常介入。

1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐

C30: 公司鼓励创新和变革。

1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐

C31: 公司重视以客户为中心。员工关注客户的满意程度。

1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐

C32: 在公司内部人际关系十分融洽。

1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐

C33: 在公司内部中国传统文化阻碍了人力资源管理的实施。

1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐

C34: 公司是否建立了工会？

是 ☐ 否 ☐ 现在没有，但马上将有 ☐

C35: 如果已有，那么工会在公司中具有重要的位置。

1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐

C36: 中国政府现行的有关政策妨碍了人力资源管理的实施。

1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐

C37: 公司越来越难留住优秀的员工。

1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐

C38: 公司对于员工个人档案的控制，是十分重要的。

1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐

C39: 公司聘用没有当地户口的人员是比较困难的。

1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐



## 第四部分

在这一部分，请按照您对下面描述的满意程度选择。

1. 非常满意      2. 满意      3. 中间      4. 不满意      5. 非常不满

C40: 中方经理关于人力资源管理的知识和能力。

1. ☐      2. ☐      3. ☐      4. ☐      5. ☐

C41: 公司的高级经理对人力资源管理实施的支持程度。

1. ☐      2. ☐      3. ☐      4. ☐      5. ☐

C42: 公司的业绩。

1. ☐      2. ☐      3. ☐      4. ☐      5. ☐

C43: 外方对中国（包括文化、法律、政策等）的了解程度。

1. ☐      2. ☐      3. ☐      4. ☐      5. ☐

C44: 现行人力资源管理体系对公司在市场中竞争力的支持程度。

1. ☐      2. ☐      3. ☐      4. ☐      5. ☐

## 第五部分：关于您自己

最后，我们非常希望您能回答关于您个人的几个问题，这将对我们的数理统计分析有很大的帮助。再一次说明，我们对这些信息将是严格保密的。

C45: 您的年龄？

20-25 ☐      26-30 ☐      31-40 ☐

41-50 ☐      51+ ☐

C46: 您的性别    男 ☐                  女 ☐

C47: 最高受教育程度

高中 ☐                          大专 ☐                          本科 ☐  
硕士 ☐                          博士 ☐

C48: 您是否接受过正式的人力资源管理的培训？

是 ☐                          否 ☐

如果您接受过正式培训，培训地点在

C49: 中国 ☐                          国外 ☐                          都有 ☐

C50: 在加入该合资公司之前，您是否拥有在国企或政府部门的工作经验？

是 ☐                          否 ☐

第 六 部 分： 附 加 评 论

C51: 如果可能，请告诉我们贵公司当前在人力资源管理方面最大的挑战和困难是什么？（中、英文均可）

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C52: 如果可能，请对上面的问题进行更进一步的说明。  
(中、英文均可)

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请您再次检查一下您是否已经回答了所有问题，

再一次向您表示感谢！